D 8523 A

World News

Iran to begin Siemens **US** censure move at UN 4 megabit tomorrow

Iran will launch a diplomatic offensive at the UN tomorrow, with the intention of inviting global censure of the US over the latter's shooting down of an Iranian adding over the Gulf on the Company increased sales 7 per company increased sales 7

Iran has asked the council to condemn the destruction of the airliner, which killed the 290 people aboard. Page 3

More Soviet unrest

Big new demonstrations with strong nationalist undertones in Lithuania and the strife-torn sonthern republic of Armenia were reported by the official Soviet media. Page 2

Afghanistan toll

More than 150 civilians were killed or wounded in Afghanistan in the past two days as rebels stepped up attacks against the Kremlin-backed government, the Soviet newsagency Tass reported.

Palestinian killed

A Palestinian was shot dead in a clash with Israeli troops – the third such death in three days. A weekend strike paralysed the occupied West Bank and Gaza

Gurkhas accept formula Gurkha separatist leaders in north-east India agreed with the Communist government of West Bengal a conditional peace forula which would give them limited local autonomy.

Rain falls on Midwest

More than an inch of rain fell yesterday on parts of the American Midwest, suffering from the worst drought in 50 years. Forecasters said it was too early to say if the drought was over. Cereal stocks at risk, Page 2

israeli MPs in protest

Israell parliamentarians on the far left and far right began a seven-day hunger strike outside strains on European Monetary Prime Minister Thinks. Shamil's Systematic and the makest cut-Israel'a health care.

Chinese security drive The Chinese Government, fearing widespread social unrest and a

conservative backlash against reform, is launching a big public security drive. Page 3

Peronist nominee

a 825 To

Carlos Saul Menem. 58. a provincial governor has narrowly defeated his main rival, Mr Antonio Cafiero, 65, for the Peronist Party candidacy for Argentina's presidential elections next year. Page 3

Japan dumping charges All Japan's 15 top exporters of daisy wheel computer printers are to be charged anti-dumping duties on their exports to the EC, worth \$300m. Page 4

Plnochet attack

Chilean President Pinochet told a Santiago rally that the European Parliament's decision to send observers to the presidential lebiscite was an interference in Chilean affairs

iraqi 'chemical attack'

Iran accused Iraq of launching two chemical attacks saying one person was killed and 150 injured in one of the raids on a camp for

Senna's Sliverstone win Brazilian Ayrton Senna continued McLaren's domination of the world motor-racing champion-ship with a crushing win in the rain-hit British grand prix at Silverstone. Britain's Nigel Mansell (Williams) finished second.

Teamster's leader dies

Jackie Presser, president of the US teamsters' union, who, with the union, had been charged with corruption, died of heart failure, aged 61. He had been suffering from cancer. Page 2

Companies.

Companies

World Guide

Business Summary

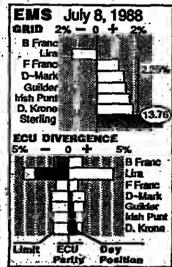
delivers new microchip

company increased sales 7 per cent to DM35.2bn (\$19.3bn) from DM33bn in the first eight months of its year. Page 17

SGS-THOMSON, Italian-French semiconductor company, is to assemble memory chips at its Nancy, eastern France, plant using Japanese parts. Page 21

EUROPEAN Monetary System: The D-Mark finished weaker against the dollar last week despite higher interest rates in West Germany and the UK and uncertainty ahead of US trade figures. A fall in US unemploy-ment in June revived the dollar's fortures.

The Bundesbank continued to sell dollars, joined from time to time by the Bank of Italy. The D-Mark's earlier lack of movement against the dollar meant that other currencies finished broadly unchanged on the week within the EMS.



rency in the system, defines the com-cross-rates from which no cur-rency (except the lira) may move should be lessened in future if, as by more than 24, per cent. The lower chart gives each currency's divergence from the "central rate" against the European Currency Unit (Ecu), itself derived from a basket of European currencies.

OECD has agreed increase of 0.3 percentage points in minimum goes less far than those countries interest rates on official export with their own rules or consider-credits. Page 2 credits. Page 2

EUROPEAN COMMISSION said Japan's 15 top exporters of daisy wheel computer printers are to be charged provisional anti-dumping duties of up to 43.2 per

JAGUAR. UK car maker, increased first-half world sales 11.5 per cent, to 24,742 units. It expects a rise of 13 per cent for

COMBUSTION ENGINEERING. US engineering group, is buying a 35 per cent stake in Derby-based International Combustion of the UK, wholly owned subsidiary of Northern Engineering

Industries. Page 22 UK house price spiral in the south-east of England is a major factor in wage inflation and the widening trade gap, say three Oxford economists. Page 5

CONSERVERA CAMPOFRIO. Spanish meat concern, has joined Spanish stock market by announcing private placement of 10 per cent of its shares on the Madrid

bourse. Page 21 BRITISH AEROSPACE may accept £250m (\$428m) less in UK government aid on its proposed takeover of state-owned car maker Rover Group in return for concessions on other elements of

the deal. Page 8 ST LOUIS, French sugar group, has declared a stake of more than 20 per cent in paper group Arjomari Prioux. Page 21

ELLIS & GOLDSTEIN is expected to make a statement today on the £41m (\$70m) contested cash bid mining inevitably involves. from fellow UK clothing group

Money Markets

UK Alb

US boo

Unit Tre

Mexican poll row erupts as Cárdenas claims victory

A DISPUTE which could threaten Mexico's political stability has structed over the results of last week's election with Mr Cuauhtemoc Cárdenas, the left wing nationalist leader, claiming victory against the ruling Institutional Revolutionary Party (PRI).

Mr Cárdenas on Saturday in effect said he was now the right ful president-elect, considering his coalition's own tally of Wednesday's results and "above all, on entirely credible information from inside the Govern-DISPUTE which could threaten

presidency and all significant elective offices continuously since the end of the Mexican Revolution in 1917. The heavy support for the opposition in last week's elections has clearly bro-

By noon yesterday there were still no official results from the

BY THE DICKSON IN BRUSSELS

panies of surprise "raiders" should be lessened in future if, as

seems likely, plans for the com-pulsory disclosure of share stakes

exceeding 10 per cent are approved at a meeting in Brus-sels today.

The proposal - which lays down "minimum standards" but

expected to attract enough sup-

port at a meeting in Brussels of EC Economic and Finance Minis-

ters to overcome staunch objec-

tions from West Germany and the Netherlands.

The issue of transparency in share dealings has been given added significance by the recent

wave of European takeovers, and not least by the unsuccessful attempt by Mr Carlo De Benedetti, the Italian businessman, to win control of Societé Générale

de Belgique, Belgium's largest

Mr De Benedetti was able to

boild an 18.6 per cent stake in La Générale before disclosing his hand. The proposed EC directive was put forward in 1985. Far from

On Friday Mr Salinas' aides tion at the necessary time."

released early figures which they said came from the CFE, showing every possibility of a con-

his coalition's own tally of Wednesday's results and "above all, on entirely credible information from inside the Government."

Mr Cardenas said that he was "conscious of the transcendence and consequences" of his claim and warned the Government that if it "insists on consummating the fraud", this will be "technically equivalent to a coup d'état."

The PRI regime has held the presidency and all significant in the real figures are the cally equivalent to a coup d'état. "Mr Salinas 32.3 per cent, and Mr Salinas 3

The Cardenistas claim to be winning in nine (of 21) states and in Mexico City, and say the PAN and PRI are winning in five each, with the rest still not clear cut. Mr Clouthier on Saturday ken this power monopoly, but began a "civil resistance" camnearly all analysts agree that for paign against what he called the
the PRI to surrender the presidency remains unthinkable. "electoral delinquents" of the
regime. Around 100,000 PAN sup-

EC ministers expected to

back share disclosure rule

Delors briefing on

Mr Jaques Delors, European

Commission president, will today tell EC finance ministers

in Brussels how he plans to steer the monetary union

study committee set up in Han-over last month. Mr Delors

will meet EC central bank gov-ernors at the Bank for Interna-

tional Settlements this evening

shareholder protection in the more integrated financial ser-

which in turn will have to pass on the information to the rele-vant regulatory authority and

per cent, and 65% per cent.
Only voting shares will be covered and, in what was an impor-

make it public within seven days. gal).
Additional "triggers" will be set at 20 per cent, 33% per cent, 50 draf

shareholder protection in the cials are confident that there will more integrated financial serbe the necessary "qualified vices market foreseen after 1992. majority" for the Council to Under the plans to be put to adopt a "common position". Final today's Ecosim meeting, the omas adoption will not take place until will be on buyers to disclose a 10 the European Parliament has per cent stake to the company, given its Second Reading, and which in turn will have to pass member states will then have on the information to the relation was a state of the company.

and tomorrow. Page 2

monetary union

porters demonstrated in Mexico City against "the election fraud." Federal Electoral Commission (CFE), which is headed by Mr porters to "defend the vote of the Manuel Bartlett, Interior Minister. This has created a political ing process which was due to be vacuum which is undermining the PBFs precidential condidate the Commission (CFE). vacuum waich is undermining concluded yesterday. He warned the PRI's presidential candidate, the Government there would be Mr Carlos Salinas de Gortari, for no negotiations. "There will be mer Planning Minister, The Commission said it would start releasing results yesterday afternoon.

regims have already sought to weaken Mr Salinas so as to make him their prisoner, and block his plans to implement political and economic reform. On Wedne for instance, the powerful oil workers union was ordered to vote for Mr Cardenas by its leader, Mr Joaquin Hernandez

Galicia "La Quina" – the para-digm of a PRI powerbroker. Mr Bartlett, who holds the ring into which Mr Cardenas has flung his hat, has become the subject of widespread speculation in and outside the PRI. Some Salinas associates suspect he may also be undermining their candidate, though under any sce-narlo, Mr Bartlett's job of prodncing a result simultaneously favourable to the regime and

Continued on Page 16 Editorial Comment, Page 14

The strongest opposition has come from West Germany, where

worried by the prospect that existing shareholdings of more than 10 per cent - as well as new

ones - will have to be made pub-

Even if all these member states

were to vote against the proposal,

diplomats and Commission offi-cials are confident that there will

two years to implement the requirements (three for Portu-

Britain originally blocked the

draft directive on technical grounds but has since lifted its reservations. Under UK law buy-

ers have to disclose a minimum

arms deal By Lionel Barbar In Washington

The arms deal with Moscow was signed in Knwalt at the weekend, just as the country's Prime Minister, Sheikh Saad

willingness to play off the superpowers in advance of national interests.

During his tour to Washington this week Sheikh al-Abdullah is expected to seek reassurances from the Reagan Administration that it will not crain back its name forces in

The US arms package has run into stiff opposition in Congress, which has the power

The Kuwaiti ambassador in Washington, Sheikh Sand Naser al-Sabah, responded that his country would not accept the US deal without the Maverlcks. "We will never beg to obtain arms," he said in a weekend interview with the Kuwaiti press.

Kuwaiti press.

If the US arms package unravels, the Kuwaitis could turn to British-made Tornado and French-made Mirage jets.

Last week, Saudi Arabia signed a major arms deal with Britain worth up to \$17bn to supply some 50 Tornados, 60 Hawk jets, 90 helicopters and six minehunters. The deal folinvolved in the management of lowed several rebuffs by the companies will be exempted. The

> for American arms. A senior Israeli official yesterday accused Britain of undermining the US-led Middle

Mr Yossi Ben-Aharon, the hardline Director-General of the Prime Minister's office, told a conference in Jerusalem that the deal also threatened

Kuwait puts pressure on US with **Soviet**

KUWAIT has signed an arms deal with the Soviet Union in an effort to step up pressure on the US to approve a \$1.9bn weapons package which includes F-18 fighter bombers and advanced missiles.

al-Abdullah al-Sabah, was leaving for Washington to discuss his country's request for American arms.

Last year Kuwait persuaded the US to escort its oil tankers in the Gulf after making a similar request to the Soviet Union. The Moscow arms con-tract – though apparently small – snggests a similar

scale back its naval forces in the Gulf after last week's shooting down of an Iranian civil airliner.

to block the deal. On Thursday, the US Senate voted to eliminate atr-to-ground Mayerick missiles, citing possible threats to Israel.

US Congress to Saudi requests rules will also apply to shareholders based outside the EC.

shares in public companies are concentrated heavily in the hands of the banks. The Nether-lands has also voiced strong opposition, while Luxembourg is East peace process through the Saudi arms deal, Andrew Whit-ley adds from Jerusalem.

Israel's security.

Fire and winds hamper bid to cap Piper well

remains of the devastated PiperAlpha platform in the North Sea agement onsbore, but no reports and cap the leaking oil wells was hampered yesterday by winds.

Over the weekend, Occidental and cap the leaking oil wells was hampered yesterday by winds, heavy seas and the flare-up of another well fire.

Occidental, the operator of the

fire and blow-ont specialist, was cing one of the accommodation still trying to gain control of the modules which was made of platform in order to extinguish wood, and for not installing steel the fires and cap the leaking oil wells. It will first have to clear the large amount of debris on the

make a start on removing debris from the platform on Saturday, their task was hampered yesterday by 20 to 30 knot winds which created heavy seas around the platform, which is smoking, covered in oil and sloping at a 45 degree angle, Late on Saturday night another well fire flared up, making work still more difficult.

making work still more difficult.
The aim is to cap the wells, using seawater, drilling mud or cement. If this is not possible Occidental might have to drill a relief well, and yesterday a drilling rig was being directed to Piper from another field in case this proved necessary. this proved necessary, Occidental came under strong

ressure yesterday over reports in Scottish Sunday newspapers that some platform workers had complained of a strong smell of gas in the days before the explo-

THE OPERATION to salvage the extremely unlikely. It would nor-

refuted claims from a former senior employee that it had neglected to take steps to platform, continued to face criti-cal questioning about its approach to platform safety.

A team directed by Mr Red Adair, the veteran Texan oilfield icised the company for not replablast walls around the compression module after an explosion in

Mr Brading said the blast had Although the two man team been in the gas conservation directed by Mr Adair was able to module and that corrective measures had been taken. On the question of the wooden construction of one of the accommodation modules, the company pointed out that it was the location of the module that contributed to the disaster, not the form of its con-

Mr Brading said yesterday he. did not believe the forthcoming inquiries into the disaster would show Occideotal's safety proce-dures to have been inadequate.

While churches in Abardeen while churches in Abordeen held services in memory of the 166 people who died in the fire on Piper-Alpha last Wednesday night, a further eight survivors were discharged from Aberdeen Royal Infirmary, leaving 14 still in hospital. A total of 64 people-survived the disaster. survived the disaster.

The Department of Energy last sion.

Mr John Brading, chief executive of Occidental in the UK, said a strong smell of gas would be might named Lord Cullen, a judge. at the Court of Session in Ediniburgh, to head the forthcoming public inquiry.

Soviet managers blamed in Voskhod bank collapse

BY QUENTIN PEEL IN MOSCOW

MOSCOW OI THE PE Soviet managers for the collapse of the Voskhod Handelsbank, the Soviet Union's Swiss-based gold and currency-dealing bank, more than three years after it was declared bankrupt.

The evidence includes lists of

expensive presents bought by the bank for the Soviet leadership of the day, including Mr Leonid Brezhnev, former secretary gen-eral, and Mr Viktor Grishin, the Moscow Communist Party chief. It blames the sudden death in a Swiss hotel of the chief Soviet

DAMNING evidence has emerged investigator on his mortal shock he uncovered.

The fresh evidence also reveals that Mr Yuri Karnaukh, the Soviet manager of the bank at the time, has been granted an amnesty by a Soviet court because he was a war invalid and also, improbably, because he had received state decorations for his work as a bank manager.

The evidence was published in the newspaper Sozialisticheskaya Industria, saying that the details Continued on Page 16.

being designed solely as an tant clarification for Britain, pro-share stake of 5 per cent, as well "anti-raider" device, it was fessional market makers who as notifying each additional 1 per prompted by the need for greater have no intention of getting cent purchase.

BRITISH PETROLEUM plans to value of BP Minerals Interna- and building materials group. float between 15 per cent and 20 tional, which brings together in float between 15 per cent and 20 tional, which brings together in floated in BP Gold's portfolio per cent of its subsidiary, BP one business stream all the sthe gold from its Bingham Can-Gold Company, on the New York group's minerals interests apart you copper mine in Utah, which Stock Exchange in the autumn to from oil, coal and gas. After seven has recently been modernised

stock exchange in the autumn to raise about \$200m.

Most of the group's gold mining assets have been injected into the BP Gold, which after the flotation is expected to have a market value of about \$10n.

BP sees the move as part of are the second-largest known and probable reserves totalling 28m ounces of gold mines is also of gold, which the group believes of gold, which the group believes and likely to produce 135,000 and is expected to produce 300,000 troy ounces of gold a year.

A collection of smaller North American gold mines is also included: Ridgeway in South Caroling are the second-largest known and its expected to produce and is expected to produce 300,000 troy ounces of gold a year.

A collection of smaller North American gold mines is also included: Ridgeway in South Caroling are the second-largest known and its expected to produce and is expected to produce and gold a year.

A collection of smaller North American gold mines is also included: Ridgeway in South Caroling are the second-largest known and is expected to produce and is expected to pr its current asset disposal proreserves in the North American
gramme to reduce debt but as a industry after Newmont Gold,
typical minerals industry action which has declared reserves of
to spread some of the risks that 30m ounces and a market capitalisation of \$4.5bn. Newmont is

ounces annually; Rawhide in Nevada, 51 per cent owned and expected to produce 30,000 ounces a year; and Barney's Canyon,

Continued on Page 16

BP to sell gold offshoot stake BY KENNETH GOODING, MINING CORRESPONDENT, IN LONDON

Investments Board

Kuwaiti's BP stake, Page 16

At the same time it should controlled by Consolidated Gold draw investors' attention to the Fields, the London-based mining Berkertex Holdings. Page 22 CONTENTS-24 Intl. Capital Markets MONDAY .17,20-21 Letters .. 5-6,8 of Mr Gorbachev PAGE INTERVIEW

David Walker, new chief of the UK's Securities and

Telecommunications: EC tries to end parochialism of national standards ... Eastern Europe: a new era for the wary allies Editorial comment: Mexico's new politics;

time to rethink National Savings Lex: Japan's equity market; Jaguar; pro gramme trading Management: how service companies can benefit from giving guarantees. Janan: Survey ...

sign of the times

There is one company above all others which can meet the ever changing demands and property requirements of today's progressive companies, the name is Hunting Gate. A substantial group of multi disciplined property development and investment companies: A group whose sustained quality of growth and success in the sectors of Commercial/Industrial Property Development, Design + Build, Residential Development and Property Investment is hard to compare.

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demands of the future. A sign of the times indeed!

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Drought

stocks

at risk'

'puts cereal

Delors to brief ministers on monetary study

MR JACQUES DELORS, the European Commission president. will brief EC finance ministers today on how be plans to steer the work of the controversial new committee set up to propose within a year further steps

month at their Hanover summit to create the 17-strong monetary study committee headed by Mr Delors, the newly re-appointed Commission president, gave an overseeing role to their finance ministers. Besides being briefed on the start of the Delors committee's work, finance ministers will
vet the committee'a final proposals before they are submitted to
EC leaders at the Madrid summit

The Market members and tomorrow. But his monetary study
committee is not expected to hold
its first formal meeting there
because other committee mem-

strongly-expressed preference for involving monetary "practitio-ners" like finance ministers, rather than leaving monetary proposals to those it regards sus-piciously as armchair "idealists" like Mr Delors. In fact, there is a maso Padoa-Schioppa, formerly a majority of practitioners on the Commission official and now a committee, with 12 of the 17 senior board member of the members being central bank gov-

A FRENCH court has withdrawn

an inquiry into the crash of a

new Airbus from a top magis-trate who raised questions about the role of civil aviation authori-

ties in the probe, Reuter reports

Judicial sources said yesterday that a court in the eastern city of Mulhouse had on Saturday taken

investigating magistrate Mr Germain Sengelin off the inquiry

into the June 26 crash.

Mr Sengelin had said the

Transport Ministry and civil aviation board were too quick to pinpoint pilot error as the cause for the crash near Mulhouse, in

which three people died.
Pilots' unions have complained

that the authorities absolved the airliner's sophisticated comput-

Operating an international airline

demands the highest standards of

experience. Inevitably, there are

experience are put to the severest

test. And it is on such an occasion

Every airline in the world risks the

attentions of terrorists and no

that the world pronounces its

judgement.

carrying millions of passengers

training and many years of

occasions when training and

Initially, only 11 central bank governors were due to sit on the committee, with Luxembourg (which has a bilateral monetary union with Belgium) represented by the governor of the Belgian national bank. But Luxembourg towards European monetary has apparently decided it wants to be represented separately by EC leaders, in deciding last its banking commissioner, its nearest equivalent to a central bank governor.

After meeting EC finance min-isters at lunch today, Mr Delors is due to meet the EC central bank governors at the Bank for international Settlements (BIS) text June.

This is partly a sop to Britain's bers will be absent. They include Mr Frans Andriessen, the Commissioner in charge of agriculture, and a Spanish banker and a Danish academic economist.

When the committee does meet, it is expected to endorse Mr Delors's proposal that Mr Tom-maso Padoa-Schioppa, formerly a Commission official and now a Banca d'Italia, should be the committee's secretary.

Magistrate removed from

Airbus crash inquiry

Central banks set to agree capital rules By David Lascelles, Banking Editor

GOVERNORS from the world's

GOVERNORS from the world's leading central banks are expected to approve proposals for a new accord on bank capital today. The proposals will be considered by the governors at their regular monthly meeting at the Bank for International Settlements in Basle.

The accord, finalised by bank smeetyleary officials at a bank supervisory officials at a meeting 10 days ago, will lay down minimum capital adequacy requirements for all the world's major banks. It will be

world's major banks. It will be based on a common formula for measuring capital and bank capital ratios.

Although there have been some last-minute changes to the proposals put forward for public discussion last December, these are believed to be minor. Bank officials have said progress was good.

Details of the accord are expected to be announced shortly after the meeting. The measures will then be phased in, to be completed by 1992.

They mark a milestone in the international regulation of basinesses, and are expected to give an impetus to similar measures for the securities

Anglo-German publicity plan

By Charles Hodgson

MRS Margaret Thatcher, the British Prime Minister, and Chancellor Helmut Kohl of The accident occurred when a three-day-old Air France Airbus A-320, pride of a four-nation West Germany have agreed on the need to publicise Angio-German relations. European consortium, ploughed

into a forest and exploded during a display at an air show. Two inquiries were immedi-In wide-ranging informal talks at the weekend at Che-quers, the Prime Minister's ately set into motion, one by the civil aviation authority and one by the judiciary. They were to be based largely on the Airbus's two country residence, the two leaders concluded that the warmth of relations between the two countries was often undervalued, and that more should be done to get the mes-But Mr Sengelin, Mulhouse's top investigating magistrate, complained that civil aviation officials left with the flight

A Nation and the World

congratulate a pilot, an airline and a government...

"Have much appreciated your firm stand

and particularly the professionalism of your

crew throughout their ordeal."

pilot, airline or nation has suffered

a more severe test than in recent

We gratefully acknowledge the

courage and dedication of Captain

The three-hour talks, charac-terised by Downing Street as "relaxed and very friendly", also covered the conclusions of recorders instead of handing them to the judiciary as required by procedure rules.

"This was an error in procedure," Mr Sengelia told the Sunthe recent EC summit in Hanerguidance system, one of its day newspaper Le Journal du main selling points, before comover and the Western eco-nomic summit in Toronto.

MOSCOW'S TROOPS MAY LEAVE HUNGARY

US cool on Soviet 'withdrawal' plan

BY LESLIE COLITT IN BERLIN AND LIONEL BARBER IN WASHINGTON

US OFFICIALS believe the Soviet

Western diplomats say the withdrawal might be announced withdrawal light to Poland by Mr Mikhail Gorbachev, the Soviet leader, which starts today. Then again, an announcement could coincide with the visit to Washington by Mr Karoly Grosz, the new Hungarian leader, on July

Bukharin

By Quentin Peel

Party.

restored to

Soviet party

NIKOLAI BUKHARIN and Alexe Rykov, two of the most important

Bolshevik dissidents executed 50 years ago by Stalin, have been granted full political rehabilita-tion by the Soviet Communist

weekend, amounts to the most powerful confirmation yet of the new found belief in a socialist

new found belief in a socialist pluralism of ideas within the ruling party. In terms of party idealogy, and the willingness to allow real policy debate between members, the posthumous political gesture is more important than the judicial rehabilitation granted both men in February.

It is also important because

It is also important because much of Bukharin's political and economic thinking is close to that of Mr Mikhail Gorbachev, the Soviet leader, in the former's fierce opposition to the mass collectivitation of articulture in the

lectivisation of agriculture in the 1930s and his belief in the need to

encourage small-scale enterprise

encourage small-scale enterprise and initiatives.

The party control commission restored to full party membership Bukharin and Rykov and five other party members convicted in the same show trial in 1937 of "terroristic and espionage activ-ity, and acts of asbotage, anti-party conduct, slander and attacks on the party".

attacks on the party.

The commission also reconfirmed the membership of Mikhail Tomsky, the Bolshevik trade

union leader, who committed sui-cide in 1936 after being accused of the same "rightlst-Trotskyist"

Robin Eliot, G.P. Filiot & Co. Ltd.

Lionas i nahruritera

Yousef and his crew but also

extend our gratitude to Kuwalt

the world for maintaining such

exemplary standards. We are

The world's media has saluted the

courage and resolution of our

people and we join them in

congratulating our pilot and our

Government for making the world a

proud of you.

Airways crews everywhere around

Hoyds of London.

A senior US State Department tional forces in Europe with a 2:1 500m as this was warranted by an improvement in East-West rela-Union may soon withdraw its official said there were "increas-65,000 troops from Hungary, but ing indications" that Moscow they are playing down the impli-cations of any such move for withdrawal of the forces it has East-West relations. crushed the 1956 uprising there.

Mr Geza Kotai, a Hungarlan party central committee official, concurred in a television interview with reports that Moscow was considering a unilateral withdrawal. US officials have commented that they would wel-come a withdrawal but it would leave the Warsaw Pact's conven-

drawal from Hungary were intensified in May when Mr Janos
Kadar, then party leader in Budadrawal of 500,000 soldiers each by pest, said Moscow's four tank and motorised rifle divisions would be pulled out of his empirers of descriptions.

Ms Phyllis Oakley, State
Department spokeswoman, recalled that, after Moscow announced troop withdrawals from East Germany in 1983, it restored its forces to the same level within three years.

Rumours of a Soviet withdrawal from Hungary were intended from the proposals on conventional to the food report by the drawal from Hungary were intended for conventional to the food report by the Rome-based UN agency said that, even if weather was normal for

even if weather was normal for the rest of the season, US yields would still fall close to the low would still fall close to the low levels of 1983.
World cereal stocks this year are projected to fail to about 310m tonnes, or 17 per cent of global food consumption, the minimum the FAO thinks necessary for world food security.
More than an inch of rain fell on parts of the US Midwest yearday, bringing some relief from the drought.

Confidence on grain The US and the Soviet Union

Mr Alexei Obukhov, head of the Soviet arms control delega-tion, in Geneva for nuclear and space arms control talks with the US, said a successful strategic arms treaty depended on strict observance of the 1972 anti-bellis-tic missile treaty (ABM).

Angola negotiations

THERE WAS nervousness among its Plotta crude off." The broker shiphrokers that the shooting said there was no shortage of down of the Iramian affiner by a crude off, but Flotta crude was a US warship in the Middle East "sour" grade and other suppliers. Gulf could lead to retaliation, such as Iran and the Soviat with an uncertain impact on the Union, would hope to make some of market.

The explosion on Occidental reports from New York.

Participants in the four-party talks today will seek to turn com-

mitment to the withdrawal of very large crude carriers last week. Various vessels were char-tered in the Middle Best Gulf. Cuban troops from Angola into agreement on a timetable.

Bomber 'defective'

B.A. Gibson reported at the end Parts of the US B-1 bomber's electronic wariare system do n work and cannot be corrected without major changes, the Washington Post reported.

It said the flaws might be serious enough to force the Pentagon to alter the routes of possible

bombing runs over the Soviet Union in a nuclear war. Burma ends curfew

The Burmese authorities have lifted a night curiew and a ban on assemblies imposed in the wake of the student-led disturbances on June 21, Chit Tun reports from Rangoon. The authorities have also

eleased all 784 arrested and held since the rioting in June and the unrest in the Rangoon university campus last March.

THE Organisation for Economic ary, however, market rates have Co-operation and Development has agreed a new increase of 0.3 percentage points in minimum interest rates on official export credits.

The increase will bring the minimum rate on export credits.

The new rate level for middle-income countries will all hards. **Environment hopes**

United Nations leaders and the heads of the World Bank and the IMF, meeting in Oslo at the weekend, agreed to seek an integrated approach to curbing deterioration of the environment as a means of promoting world development for the future, Karen Fossii reports from Oslo. market rate of 10.3 per cent.
From this month the OECD has also abandoned its consensus rate on export credits to richer countries, which must now all

The main theme of the conference was a report by the World Commission on Environment and Development, headed by Norwegian Prime Minister Mrs Gro Harlem Brundtland.

Tass reports on demonstrations in Lithuania and Armenia

BY QUENTIN PEEL IN MOSCOW

HUGE new demonstrations with ment news agency, admitted was strong nationalist undertones, a "mammoth meeting".

A tense calm seems to prevail One of the major demands of

The Soviet authorities have also agreed that the trials for murder and rioting arising out of the race riots in the Azerbaijan town of Sungait last February, when Azerbai youths launched a system of the suthority of national newspapers, and the government naws agency, goes some way to meet that.

The decision to switch the Sungait trials is another important concession, especially since the lather a report back from the streets of the lather and concession, especially since the lather and concession. virtual pogrom against Armenian residents, should be held outside Azerbaijan in Russian regional courts.
The concessions coincide with

a continuing tough line against the mass demonstrations in the Armenian capital of Yerevan, where troops ware again deployed on Friday night in the face of what Tass, the govern-

Jackie Presser,

leader, dies at 61

JACKIE PRESSER, leader of

1.7m members of the Interna-tional Brotherhood of Team-

sters labour union, died into on Saturday of heart failure, Reuter reports from Cleveland,

Mr Presser, 61, president of the union, had been charged with racketeering and ember-element. Before he could come

to trial he underwent cancer surgery early in 1987, losing a lung.

multiple acts of embezzle-

ment" over a 10-year period. All three pleaded innocent, The indictment alleged that

Teamsters'

HUGE new demonstrations with strong nationalist undertones, this time in the Baltic state of Lithuania and the strife-torn southern republic of Armenia and in the scrife-torn in both Armenia and in the enclave of Nagorno-Karabakh, in neighbouring Azerbaijan, where official Soviet media, in an apparent concession by Moscow to the growing demands of its national minorities.

The Soviet authorities have also agreed that the trials for murder and rioting arising out of the race riots in the Azerbaijan in the streets of Villagine and rioting arising out of the race riots in the Azerbaijan in the streets of Villagine and rioting arising out of the race riots in the Azerbaijan in the streets of Villagine and rioting arising out of the race riots in the Azerbaijan in the streets of Villagine and rioting arising out of the race riots in the Azerbaijan in the streets of Villagine and rioting arising out of the race riots in the Azerbaijan in the streets of Villagine and rioting arising out of the recent coverage by the authority of resolved before the major demands of the major demands of the major demands of the major demands of the Armenian protesters has the region.

One of the major demands of the Armenian protesters has the Armenian protesters has one that their demands should be given attention by Moscow, the given attention by Moscow, and the recent coverage by the given attention by Moscow, and the recent coverage by the given attention by Moscow, and the region.

The US and the Soviet Union the region.

One of the major demands of the Armenian protesters has the Armenian protesters has the Armenian protesters has the region.

One of the major demands of the Armenian protesters has the Armenian protesters has the region.

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One of the major demands of the Armenian protesters has the region.

The US and the Soviet Union the A

supplies, Soviet exports and Soviet exports and supplies, Soviet exports and supplies, Soviet exports and Soviet exports.

troika, showed its sympathy with poisoned with impregnated over-the Armenian demands by call-ing for a referendum in Nagorno-to have been done by Azeris.

Oil tanker markets as a whole showed an uplift in demand for

SHIPPING REPORT

Disasters cause oil market nervousness

The explosion on Occidental

Petroleum's Piper Alpha oil plat-form in the North Sea hit the oil markets with an immadiate loss of about 12 per cent of Britain's week. Various vessels were chartenion officials were indicted in 1986 by a federal grand jury, which said they engaged in the price of crude oil, which must have come as "a welcome relief to the Organisation of Britain according to London brokers."

B.A. Gibson reported at the ending to the Organisation of Britain according to London brokers.

to the Organisation of Petro. of the week a ready market for leum-Exporting Countries and small clean carriers from the may obviate the necessity to take any further steps (to raise prices) at the present time," said E.A. Gibson, the shipbroker.

Gibson, the shipbroker.

Gibson, the shipbroker.

Mr Presser's union branch made more than \$700,000 (£410,000) in payments to Gibson, the shipbroker.
Galbraith's, the shipbroker, said: "The North Sea will become a difficult area in the next few weeks, especially as Occidental has declared force majeure on all

OECD to raise minimum

interest on export credits

minimum rate on export credits income countries will all but to poorer developing countries to eliminate subsidising for consumer countries will rise to 9.15 which the OECD-determined

"ghost" employees.

The Justice Department brought a suit last week seainst the Teamsters leadership under federal racketeering laws. The Government sought a court-appointed trustee to oversee the union's operations pending trial.

Alleging widespread corruption in the union and influence by Maila figures, it sought a trustee to conduct new elec-tions and review expenditure by the union board. Judge Dayld Edelstein of Manhattan District Court rejected the

request.

Born in Cleveland on August 6, 1926, Mr Presser rose in the Teamsters ranks with help from his father, William, a long-time Teamsters leader in Ohio, who was three times

convicted of crimes.

Mr Presser had been treated
in the past for cancer, heart
problems and circulatory problems in Cleveland and in Phoe-

nix, Arizona, the hospital statement said.

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rate levels for key currencies. countries, which must now all-Since the last review in Janu-carry market rates of interest.

per cent for loans maturing in less than five years and 9.65 per cent for longer-term credits.

The new rates, applicable from July 15, were set as part of the regular OECD review of export credit rates and are designed to reflect developments in market

Dated: July 11, 1988

NOTICE TO HOLDERS OF

market rate is currently 9.39 per cent. Subsidising will continue to be available in sterling, which

carries an OECD-datermined

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5%% Notes Due 1991 ("Notes")

Borg-Warner Acceptance Corporation, a Delaware corporation ("BWAC"), was acquired by subsidiaries of Transamerica Financial Corporation, a Delaware corporation ("TFC"). BWAC has changed its name to Transamerica Commercial Finance Corporation ("TCFC") and TFC has guaranteed the payment of the principal, interest and premium, if any, on the Notes. In accordance with paragraph 13 of the Fiscal and Paying Agency Agreement relating to the Notes, on August 1, 1988 TCFC aball convens a meeting of the holders of the Notes at the office of Transamerica Commercial Finance Corporation, 225 North Michigan Avenue, Main Conference Room, 21st Floor, Chicago, Illinoia, 10:00 a.m. local time, for the purpose of approving an amendment to the Fiscal and Paying Agency Agreement dated June 3, 1986 entered into between TCFC and Citthank, N.A. and the Notes that permits TCFC to transfer its obligations under the Notes, assign the benefit of the TFC guarantee and transfer the obligations and assign the rights of TCFC under said Fiscal and Paying Agency Agreement to BWAC One, Inc., a Delaware corporation ("BWAC One"). BWAC One is the direct subsidiary of TFC that was created by TFC to purchase, through its subsidiaries, all of the assets and business and undertake all the obligations and liabilities of TCFC.

If any holder of the Notes has any questions or desires to obtain the Information Statement prepared for the meeting setting forth further information concerning the proposed amendment and explaining the procedure for voting at the meeting, please contact Mc Ian Kellow, Legal Counsel at Mitsubishi Finance International Limited, London, 1 King Street, London EC2V SEB England, Telephone 606-0059, Telex 8954381 BISHFI G.

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TRANSAMERICA COMMERCIAL FINANCE CORPORATION (formerly Borg-Warner Acceptance Corporation)

weeks.

safer place.



Iran to begin US censure moves at **Security Council**

IRAN WILL launch a diplomatic offensive at the UN tomorrow, so as to invite global censure of the US for the downing of an Iranian airliner over the Gulf on July 3. Mr Ali Akbar Velayati, Foreign Minister, left Tehran yesterday to head Iran's delegation to the UN Security Council. Iran has asked-

the council to condemn the destruction of the airliner, which

killed the 290 people aboard. Mr Vernon Walters, US ambassador to the UN, said the Reagan Administration would counter by pressing for enforcement of the ceasefire proposals for the Iran-Iraq war included in UN Security Council resolution 598 last year, "The way to stop these incidents is to stop the war," be said in a US television interview yester-

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day.

Mr Walters said the US deeply regretted the downing of the airliner but he repeatedly declined to applogise for the incident. Americans back by 3:1, according action but his country was keep to polls, the decision by the US Navy captain to fire at the Iranian airliner because he thought it was an approaching fighter jet. The ambassador pointed out

The Iranian leaders have refrained so far from threatening acts of violence against the US or Western hostages in Lebanon, preferring to usa diplomatic channels. Mr Ali Akber Hashemi Rafsanjani, the Iranian military chief, last week warned against a hasty Iranian response, saying world opinion would turn

Yesterday, bowaver, Mr Mohammad Javad Larijani, Ira-nian Deputy Foreign Minister, told a news confarence it was fruitless to speculate over diplo-matic approaches until Washing-ton had halted its hostilities

Lockheed fraud alleged on US defence projects

BY LOUISE KEHOE IN SAN FRANCISCO

projects, details of which are kept at government expense.

The suit was made public last been condoned by the company," week after being sealed for six the company said. "We are also months by the courts, it seeks to trial, will show the company

whistleblowers.

Allegations contained in the Ir proved the charges could suit centre on the practice of result in suspension of defence assigning workers awaiting sectations according to the plaintity clearance to work on black projects to fice boxes or separations. The extent of the alleged fraudrate facilities. It charges that could eventually become much these employees were given little larger, the whistleblowers claim.

"We expect additional people charge their time to represent the representation of the charges could result in suspension of defence contracts, according to the plaintime time to represent the representation of the charges of the representation of the could represent the representation to the plaintime time to represent the representation to the representation of the charge their time to government are going to step forward and contract projects for periods of describe additional examples of

According to the complaint, said

ONE OF the largest US defence contractors, Lockheed Corporation, has been accused by "whisteleblowers" of fraudulent billing metics, jewellery, magnets, belt and work practices on top-secret defence projects, adding a new twist to the growing US defence procurement scandal.

A lawsuit filed by one former and one current employee of One Lockheed employee is said.

and one current employee of One Lockheed employee is said Lockheed Missiles & Space, Silito have transcribed the entire con Valley's largest employer, Bible into a computer, while alleges that the company over another is alleged to have had charged the government by more Lockheed machinists construct than \$10m for "black budget" an airframe for his personal use

secret even from most members Lockheed "very vigorously of Congress." Lockheed "very vigorously denies that false claims have of the US Government and the has not engaged in any improper

fraud at Lockheed," their lawyer

Italy unveils plan to cut energy imports

ITALY's Industry Minister has is to be achieved in large part by unveiled an ambitious new draft developing domeatic coal national energy plan" which is cesigned to reduce dependence on imported oil and gas and would cost L80,000bn (\$59.1bn) over the next 15 years.

Italy currently relies on imports for 81 per cent of its annual energy requirement.

Italy currently relies on to be unresolved.

The plan would also call for a series of fiscal measures and is considered inevitable, had still

series of fiscal measures and

be examined by the Cabinet and

The plan, presented on Friday would create a new energy secreto Mr Ciriaco De Mita, the Prime tariat in the industry ministry. Minister would allocate nearly The plan presented by Mr Adolfo half the total investment to ener-

Peronists choose Menem as candidate

By Gary Meed In Buenos Aires

MR CARLOS MENEM, 56, governor of La Rioja province, has narrowly defeated his main rival, Mr Antonio Caflero, 65, for the Peronist Party candi-dacy in next year's presiden-tial elections in Argentina. Mr Menem's success comes

as something of a surprise to many local pundits who, up to the day of the ballot, were predicting a narrow victory for Mr Caffero. Mr Menem's grassroots popularity has gathered strength and vitality in the

With more than 80 per cent of the vote counted over the weekend, Mr Menem's support outstripped that for Mr Caffero by 8 per cent. The ballot also supports Mr Ednardo Duhalde

as Mr Menem's running mate for the vice-presidency. Mr Caffero, a former Econ-omy Minister, conceded defeat just before midnight on Saturday, saying he would offer his

day, saying he would offer his services to Mr Menem's presidential campaign.

Mr Menem said he owed his triumph to "the poorest, the needlest, and the most humble" people of Argentina. He has said there was little difference between Mr Caflero's politics and those of President Rani Alfonsin, of the Radical Rani Alfonsin, of the Radical party. He described both men as social democrats.

In contrast, he has described his own stance as "anti-sys-tem" - against the establishment and for what ha describes as revolutionary

During his campaign, Mr Menem promised social reforms, including a halt to the Government's privatisation programme and wage increases for trade unions. He has also promised a morato-rium on service of Argentina's \$56bn (£33bn) foreign debt.

He has consistently identified himself with Peronist mythology, conducting a cam-paign of quasi-religious fer-vour and promising to place more power in the hands of Argentina's working class.

Aid for Nicaragua

CUBA HAS provided an emergency aid package worth \$150m (288m) to Nicaragua, Tim Coope peports from Mana-gua, Over the next three years, Cuba is to donate 270,000 equivalent to about 15 per cent of its annual requirement. Cuba is also to write off \$50m owed to it by Nicaragua.

Mr Nordio, whose resignation is considered inevitable, had still

not stepped down yesterday despite an explicit invitation to

Meanwhile, domestic air travel

in Italy grew increasingly chaoticat the weekend as numerous

flights were hit by lengthy delays

and fully paid

4,350,532.85

do so by IRL

or cancellations.

Taiwanese president advances pragmatists

BY BOB KING IN TAIPEI

MR LEE TENG-HUEI, Taiwan's ally all policy decisions, to the president and chairman of the nearly toothless central advisory people meaning that two candidates will compete for every seat to be moving swiftly to ensure ble for future standing committee. that younger pragmatists have a membership.

gress, he appointed 10 older mem: which in turn will elect the current committee, which will

Only 74 of the people put up by larger voice in — if not control of — Yesterday, the Talwan-born Mr — the party itself — Lee made public the names of 180 — member central committee, and their average age, 59½ years, is of the party's 13th national control to the central committee, and their average age, 59½ years, is bers of the 31-member standing standing committee on Thursday. Step down after elections on committee, which makes virtu- The 1,209 delegates to the con- Thursday.

Lee's candidates are Taiwan-born

- a clear sign that the policy of
Taiwanisation of the party and
government, begun under former

mons begun under Mr Chiang,
including detente with China,
which will be discussed in plenary session tomorrow.

Most observers agree the presi-President Chiang Ching-kuo, will

In addition, 42 per cent of Mr tions begun under Mr Chiang.

Most observers agree the president must ensure that younger ontinue.

pragmatists form a significant Mr Lee and his progressive col-bloc in the party before reforms leagues are under great pressure can proceed on their own merit, from conservative factions as without regard for their effects they strive to continue and accel- on entrenched interests and traderate the reforms and liberalisa- itional power groups.

UN plan to solve Afghan crisis

NEW proposals for a peaceful resolution of the Afghan crisis have been put forward by Mr Diego Cordovez, the special representa-tive of the UN Secretary General, At the end of a 12-day visit to Tehran, Kabul and Islamabad, Mr Cordovez appealed to all Afghan factions to lay down their arms from September 1 to allow a non-partisan national government to be set up in Kabul

The main objective of this transitional government would be to convene a loya jirga (traditional assembly) of all sections of society by March 1, which would establish a broad-based govern-ment acceptable to all Afghan people by March 15, when the withdrawal of Soviet troops is to be completed.

According to Mr Cordovez, a ceasefire is needed to provide a six-month cooling-off period, enabling Afgbans to return to



Diego Cordovez: new peace proposals

tional community to lend badlyneeded humanitarian assistance. Mr Cordovez's snggestions have been welcomed by Mr Pri enabling Afgbans to refurn to Gallani, a moderate representing their homeland and the internation the seven-party resistance alli-

ance. Ha said: "If they are sincerely implemented, these suggestions are good because if the PDPA [the present ruling party] THE CHINESE Government, fear-make an adequate estimation of is sincere in stepping down, it ing widespread social unrest and achievements in reform." His

assert their strength by engaging in military confrontation. But the Afghan population is tired of war and will increasingly reject such a course and those who advocate

China moves to fend off backlash against reform

BY ROBERT THOMSON IN PEKING

will never regain power. In fact, in the six-month ceasefire most communists will flee to their dachas in Russia."

The fundamentalist leaders of the recitation that underlines negative "adequate" coverage and were mation that underlines negative "adequate" coverage and were regain power. In fact, in the six-month ceasefire most reform, is launching a big public vately in recent weeks to newspapers not to publish information that underlines negative "adequate" coverage and were regain power. In fact, in the six-month ceasefire most reform, is launching a big public vately in recent weeks to newspapers not to publish information that underlines negative "adequate" coverage and were the resistance were less happy side-effects of the ambitious mod-with the idea, and angered by Mr ernisation programme.

and angered by Mr ernisation programme.

and angered by Mr ernisation programme.

announced by the alliance. But before leaving Islamabad, Mr trol over society, following a gainst crime and is likely to execute that present, in spate of remeets and industrial cute bundreds of offenders in an analysis of remeets and industrial cute bundreds of offenders in an analysis of remeets and industrial cute bundreds of offenders in an analysis of remeets and industrial cute bundreds of offenders in an analysis of remeets and industrial cute bundreds of offenders in an analysis of the control of the cute of the absence of a government founded on the broadest support of the Afghan people, existing political forces are seeking to assert their strength by annual to over society, following a cute bundreds of offenders in an attempt to breserve an image of order.

Last week, public security officials at a national conference which they fear if the inflation. onstrations against reform, which they fear if the inflation rate continues to rise.

Cast week, public security officials at a national conference were told that the reputation of reform had been tarnished by an

propaganda officials: "We should "possible turmoil" in society.

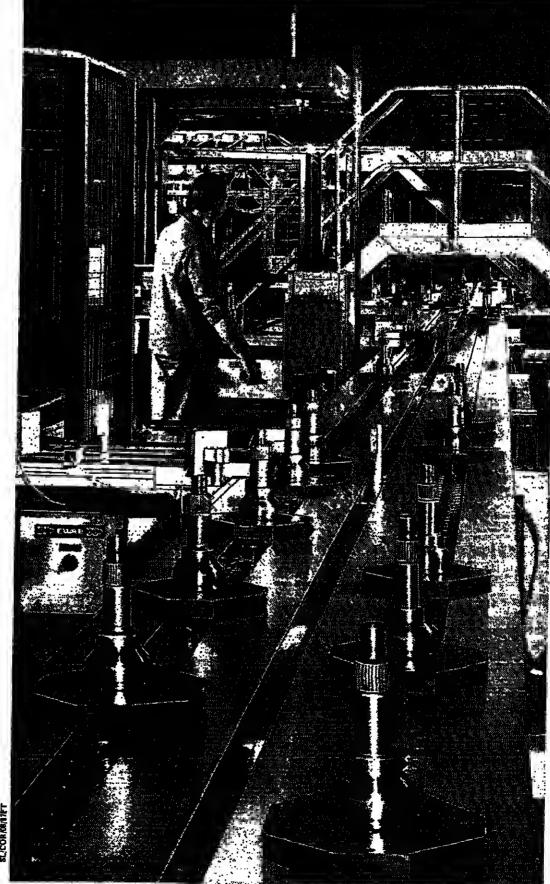
THE CHINESE Government, fear- make an adequate estimation of

Cordovez's rejection of the interim cabinet recently announced by the alliance. But

reform had been tarnished by an In a speech published at the increase in serious crime, and weekend, Hu Qili, a senior Polit- Wang Fang, Public Security Minburo member, told a gathering of ister, warned of the threat of

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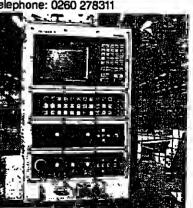
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By: The Chase Manhattan Bank, N.A. London, Agent Bank



österreichische Volksbanken-aktiengeskilschaft Floating Rate Subordinated Notes due 1995

In accordance with the provisions of the Notes, notice is hereby given that for the Interest Period from July 11, 1988, to January 11, 1989 the Notes will carry an interest rate of 8%% per annum. The interest payable on the relevant interest payment date, January 11, 1989 will be U.S. \$212.43 per U.S. \$5,000 Note.

By: The Chase Manhattan Bank, N.A. London, Agent Bank



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By: The Chase Manhattan Bank, N.A. London, Agent Bank

National standards have hindered the growth of an international market, reports Terry Dodsworth

EC seeks to end parochialism in telecommunications

sion produced its ambitious blue-print for an integrated telecomincluded a potentially controver-sial plan for e new standards-set-

ting organisation.
It is a measure of the head of steam that has since gathered behind the Commission's proposals that this suggestion led to the formation of the European Tele-communications Standards Insti-tute (ETSI), which had its first meeting in France last month. The speed at which ETSI was born is a small miracle in an industry noted for its jealous parochialism. Standards have

ochialism. Standards have always been a tricky issue in telecommunications. On the one hand, they have been central to the creation of a worldwide telephone system; on the other, they have been ruthlessly used to foster national advantage and to exclude foreign competitors from local markets. local markets

In Europe, this nationalistic at e regional level has been in the hands of CEPT, a body which brings together the main tele. nications operators such as the West German Bundespost. the French Direction Générale des Télécommunications and

Each of these operators has been more involved in establish-ing local than regional standards. As the traditional regulatory authorities in their own coun-fighting. This is theoretically a tries - a role that is now being highly efficient way of distributtaken away from them - they ing data, breaking down informahave decided how their networks tion into coded digital messages should be run and what sort of which make optimum use of equipment can be connected to

the system.

The result is that Europe's telecommunications system does not Europe has a failure rate of about use standardised products or 30 per cent, mainly because each work easily together et all levels. country has created a national in three ways. First, it denies into its counterparts. telephone equipment manufactory in the early 1980s, under presenturers the economic edvantages sure from the Commission, there of producing for e large, homogewas an attempt in CEPT to iron will also create some powerful

for business users exchanging a lot of data.

On the equipment side, production is organised on mainly national lines, with each country sheltering e significant local switch and transmission com-



nany. In services, there are even more striking examples of how the establishment of local stan-In Europe, this nationalism the establishment of local segmentary evident. Standards-setting dards has undermined the growth of the market. For each country has gone its own way in videotex systems, turning the market into what one observer calls "trench warfare" between the big national network

companies.
Equally, the development of packet-switching, a crucial service in the growth of data and information networks, has been available telephone lines; but it is estimated that the international packet-switched network in This affects industry and users system which does not easily link

WHEN THE European Commission produced its ambitious blue-trates the creation of new inter-establish a more unified Euronational services carried over the pean approach. But CEPT never munications market last year, it telephone lines; and third, it managed to get enough momen-included a potentially controver-makes communications more turn behind its efforts, partly stal plan for e new standards-set-time-consuming and less efficient because it lacked permanent resources and parily because it remained largely a closed club of the national telephone operating companies. The organisation does not have an office of its own; it operates out of the headquarters of its different member compa-

The aim of ETSI is to step in where CEPT failed, to create Europe-wide standards. If the new organisation succeeds, it should mean a more hospitable environment, both for innovative equipment manufacturers and for providers of telephone data and information services of all kinds. At the same time, it should be

easier to expand in the world market, partly because of the stronger platform provided by the enlarged domestic European market and partly because ETSI intends to exercise its muscle in international standards-setting. A good example of how this might work is in the new field of pan-European digital car telephones. The current generation of mobile cellular telephones is a splendid example of European market balkanisation, embracing a wide variety of equipment and transmission systems. The prod-ucts work only in the national markets where they are sold and

manufacturers cannot achieve large-scale production economies. Under the planned pan-Euro-pean digital mobile system, however, common standards have been agreed — at breakneck speed — for the entire region. Users will be able to use their telephones anywhere within the boundaries of Europe, there will be a common tariffing system, and equipment producers will compete on the quality of their products rather than on their

ling the weaknesses in standards telecommunications manufactur-

vided from a variety of sources, alisation has made it more imporincluding government departments, the telephone network
companies and other member
organisations.

To speed up decision making.

bringing together the different national authorities will have the

companies and other member of corganisations.

To speed up decision-making, the project teams will work full time, with periodic examination of key issues by technical committees headed by experts in their field. To prevent further logiams, a technical assembly bringing together the different accommittee of the companies and other members and office the manufacturers are therefore moving into a period where they have to finance more of their own research and thus take more of the companies are named are named and accommittee and that used the umbilical cord that used to attach producers to the net interests of its members and other participants.

ETSI's most important role will be to preserve a delicate balance between developing standards which make sense at a regional cord.

European competitors in international markets.

Among ETSI's plans for tack
Sing the grant of the companisation has been distortion if suppliers and customal markets.

Among ETSI's plans for tack
about 100 members, including together. setting are these:

• It will have a permanent director - Professor Diodato Gagliard, from STET, the nation-alised Italian telephone company - a staff of short 19 and its part of short 19 and its

Gagliardi, from STET, the nationalised Rallian telephone company onles with a base in Europe.

— a staff of about 12 and its own building in the high-technology research zone of Sophia Antipolis, near Nice in France. This corganisation will be supplemented by project teams to tackle specific issues. Ahout 30 specialist workers are expected to international standards-setting.

join these teams in the first year, eventually building up to three times that number.

• Guaranteed funding for general operating costs and specific Guaranteed funding for general operating costs and specific projects — estimated at Ecu 1.2m and Ecu 4.2m (£2.8m) respectively in the first year — will be provided from a variety of sources, including government depart— in the first year including government depart— including government depart— including government depart— in the first year — will be provided from a variety of sources, including government depart— in the first year — will be provided from a variety of sources, including government depart— in the first year — will be provided from a variety of sources, including government depart— in the first year — will be involved in issues at better trading prospects for such as development of a pan Equipment of a pan Equi

Green Paper, officials are naturally euphoric about its pros-

At the same time, it is argued, level for Europe, while not build-specifications would be less open ing a protective barrier around to individual interpretation and the market.

N. H.

i) dis

Dumping duties on Japanese daisy wheels

By William Dawkins

ALL Japan's 15 top exporters of dalsy wheel computer print-ers are to be charged provi-sional anti-dumping duties of between 12.4 per cent and 43.2 per cent on their exports to the European Community which are worth \$300m (£176m).

The decision, announced by the European Commission at the weekend, comes six weeks after the imposition of duties on \$1.3bn worth of Japanese

dot matrix printers, Both kinds of printer were developed for use with per-sonal computers, but the more flexible and improving matrix machines are rapidly displacing daisy wheel printers.

Japanese exporters must take out bank guarantees for the amount of the provisional duty, until the fines are later confirmed by member states and become payable in cash. This will almost certainly lead

This will almost certainly lead to price rises.

The main companies affected include Seiko Epson, Brother Industries, Fulitsu and NEC, which are being charged 43.2 per cent duties. The lower 12.4 per cent rate applies to Tokyo Electric and Tokyo Juki Industrial, the only two companies.

Electric and Tokyo Juki Industrial, the only two companies to co-operate with the Commission's inquiries.

The two cases were triggered by linked complaints from the EC's four leading computer printer makers: Olivetti, the Italian offshoot of Honeywell Information Systems, Maunesmann Tally and Philips Kommunikations of West Germany.

According to the Commission, imports of Japanese dalay wheel printers climbed from 140,000 units in 1988 to 195,000 in 1986 — a rise in EC market share from 70 per cent market share from 70 per cer to 74 per cent over the period. They were being sold at an average of 15 per cent less than EC prices and up to 58 per cent less than in Japan, the Commission estimates. EC producers' profits were hit and their ability to continue in what the Commission argues is

a strategic part of information technology was jeopardised.

Eurotravellers' cash whittled away by money changers

BY WILLIAM DAWKINS IN BRUSSELS

THE COSTLY pitfalls in wait for trip but the survey offers some

trip but the survey offers some holidaymakers changing cash into different European currencies were exposed yesterday by a leading European Community consumers' organisation.

A traveller setting out from the UK to the continent with £100 in his pocket would have little more than half left to spend after changing it, in turn, into each of according to a study by Beuc, the bureau of European consumer unions.

The rest would be eaten up by at the airport or at the local currency changers' profits, bank, says the survey.

However, they will pay extra a salutary warning, in the light for changing foreign currency at the light for changing foreign currency at the salutary warning. a saintary warning, in the light for changing loveled currency at of the European Commission's Brussels, Paris and London air-efforts to revive talks on a possi- ports, and they should shop ble single European currency.

Benc officials carried-out the exercise by telephone, starting ably get more D-Marks, French from Brussels with a notional francs and Spanish pessets for

BFr. 40,000 (£618) and working sterling at a bank in the UK than clockwise through the EC via the abroad, but would do better to UK, France and Spain, and back buy other European currencies at again.

They ended up with just BFr the survey.

They ended up with just BFr the survey.

21,300 — nearly 47 per cent less than they started with. Exchange Beuc recommends credit cards costs on average were 2.5 per and travellers' cheques for secutive and convenience. Overall, though the costs varied widely, though, the traditional postal up to an astounding 21.5 per cent for changing D-Marks into drachma, claims Beuc.

Few holidaymakers will want to change cash 10 times in one Belgium; BFr300 (£4.60).

the same rate, whether they do it

WORLD ECONOMIC INDICATORS UNEMPLOYMENT

%	15.6	15.7	15.7	3,218.3 13.5
% Italy 000's	10.6 3,624.0	10.9 3.635.0	3,640.0	11.1
France 000's	2,478.1	2,547.8	2,634.8	2.592.7
%	10.0	458.5 11.1	476.1 11.6	452.2 11.7
% Belgium 000's	11.6 443.2	12.0	12.2	11.6
Netherlands 990's	663.9	686.9	700.7	667.6
%	8.2	2,440.1 8.9	2,516.5 9.2	2,215.9 8.1
W. Germany 000's	Apr.'88 2,261.7	Mar.'88	Feb. '88	Apr.'87
%	2.5	2.6	1,620.0 2.6	1,910.0 3.2
Japan 000's	1,540.0	9.1 1.570.0	9.3	10.7
UK 000's	2,426.9	2,536.0	2,592.1	2,986.4
USA 000's	6,783.0 5.6	6,610.0 5.4	6,801.0 5.6	7,573.0 6.3
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and that we can look forward to a successful future based on our traditional area of activity, opencast mining, as well as from expansion into other areas.'

D.T. Carr Chairman, and Chief Executive from 1st August 1988 (formerly a Group Managing Director of Tarmac PLC)

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NEW ISSUE JUNE 1988



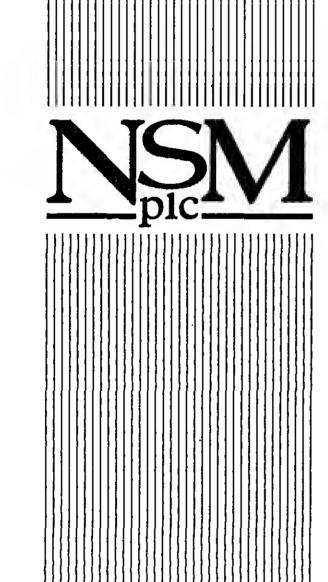
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is now, as a result of its reorganisation this year, one of the largest private in the United Kingdom.

House price rises 'could thwart war on inflation'

BY PHILIP STEPHENS, ECONOMICS CORRESPONDENT

tackle distortions in the housing market might prevent it from reducing inflation to the levels of Britain's main European competitors, according to a study published teday.

yasmoth.

Mgers

economists, identifies spiralling relative to that likely in a neutral house prices in the south-east as tax system.

tus for the housing boom can be in wages in the south-east and tracked to the generous tax contributed to the Britain's relaticentives, particularly mortgage tively poor performance in reducinterest relief, provided by the ing inflation. Government for owner-occupiers.

mists, are likely to intensify pres-

THE GOVERNMENT'S refusal to Prime Minister, to curb tax bene-

shed today. cupation has greatly raised the The study, by three Oxford return on housing investment

tax system. In the south-east, the result ing wage inflation. They have has been a "mobility trap," also contributed to the sharp wid-restricting the flow of workers ening of Britain's trade gap by from the region and limiting providing the basis for a rapid access to migrants from other growth in consumer spending. owth in consumer spending. parts of the country. That in turn it adds thet much of the imperation has exacerbated upward pressure tively poor performance in reduc-ing inflation.

In parallel, the coincidence of

The replacement of domestic rates by the poli tax is likely to worsen the problem.

Those conclusions, which are broadly shared by many of the Government's own senior economicts are likely to intensify and imports. The results of the study, the authors conclude, emphasise the hazards of liberalising financial markets whila sure on the Treasury to review enormous fiscal distortions the whole system of domestic remain in place."

property taxes. Officials, however, concede that they are markets. Centre for Economic Polymbikely to be able to persuade icy Research, 6 Duke of York.

Mrs Margaret Thatcher, the Street London SWIY 6LA. 22

Ian Hamilton Fazey ends a series on electricity boards preparing for privatisation with a look at Norweb Showrooms that became a power in the marketplace

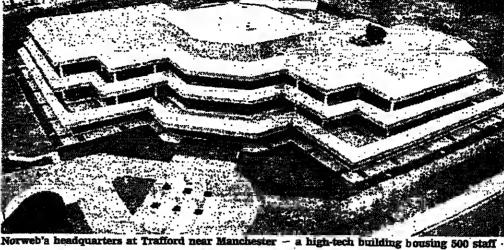
IF PRIVATISATION holds any terrors for the North West Elec-tricity Board, competition is not one of them. Over the past decade, Norweb has been growing increasingly effective in the high streets of Greater Manchester and beyond.

The attitudes and disciplines nvolved have been embraced by all departments. If there is not a Currys, Comet or Rumbelows store to fight, the enemy might just as well as be Britain's other lectricity boards.

The urge to be first shows even n matters such as an attempt to have the name and people of Nor-web mentioned more frequently than those of any other board in Circuit News, the industry's monthly newspaper. But its achievements in the high street illustrate the competitive point

Ten years ago Norweb's image as a place to buy such goods as refrigerators, washing machines and electric fires was that of a "nationalised corner shop" uncompetitive on price, bureau-cratic, alow, serviced by an undertrained sales force and lacking the powerful advertising mages associated with privatesector rivals.

It was a sideshow, tacked on to the main business of selling the power itself. But, like all the boards, Norweb had an unrivalled network of high street loca-tions, outnumbering any of the rival chains three or foor times. Norweb has exploited that and simple methods of payment



advantage with innovative mar- have won the orders. keting techniques which other boards have since copied. Mr Berr key role: Norweb has the name Hastings, Norweb's chairman, says the board has 20 per cent of the high street white goods market in the area. credit st
The board supplies all of the instantly.

north-west except Merseyside and Cheshire, which comes under the Merseyside and North Wales Electricity Board, Manweb, which Mr Hastings used to chair. Coupled with evening-paper advertisements, television campaigns have pulled in shoppers. ity bi Once they are in the showrooms, free better-trained staff, easy credit goods.

tricity user on its computer. Terminals in every showroom enable credit status to be checked

Five years ago, Norweb pioneered the Buy Now Pay Later schemes which enticed customers to order goods for immediate installation but deferred repayments for several months, when they came hidden in the electricity bill. Norweb also pioneered free extended guarantees on

Mr Hastings says: "When it industrial engineering at Mul-

the scheme. Now they all do it." In 1986-87, the last year for

appliances out of a total turnover of £1bn. The profit was £6.4m out of an overall operating profit of Even allowing for the confus-ing effect of the industry's cur-rent cost accounting, appliances

returned 7 per cent on sales, rather than less than 6 per cent for the ratio overall. Mr Hastings, who cama into the industry having been head of

sidiary, says he expects an 8 per cent increase in sales in 1988-89. This year's sales drive is centred on dishwashers, as well as "brown" goods such as ovens and fires – where Norweb has only a

per cent share. Television is nsidered ripe for development the operation is small and anchised. In addition a privatised Norweb has ambitions to take on the rental groups - the latter ambition influenced by developments in satellite televi-

sion and the video markets. Norweb's costomer service partment, the main link with the buying public, is a telephone operation in Bolton and is fully computerised. The average time taken to deal with a query is now less than a minute.

The benefits arise in the marketplace and internally. As Mr Hastings puts it: "We have been able to abolish the typing pool in many places because no one writes in any more."

which there are published accounts, Norweb sold £91m of None the less, domestic electricity sales are falling by 0.9 per cent a year. Fortunately for Norweb, the Greater Manchester economy is boosting industrial and commercial sales by an annual 5 per cent and these account for three fifths of sales

Electricity 1986-87 8,220 Operating profit Net return on as 3.9%

some provision for the post-priva-tisation future: since April it has cross Magnox nuclear power station in Scotland, run privately by British Nuclear Fuels.

With the new Torness tion about to come on stream. Chapelcross faced redundancy except at periods of peak demand and BNFL could not afford to keep it working on that basis The station has replaced about 5 per cent of the power Norweb previously purchased exclusively from the Central Electricity Generating Board.

Mr Hastings's team appears weak only in financial and trea-sury management. As a cash-rich nationalised industry that simply passed on money to the Govern-Mr Hastings says that, after ment, there has been no need for sucb specialists. Mr Hastings pays for the power it retails will intends to have plugged the spe-be crucial. "The power cootracts cialist gap by the time of flota-

Privatised industries 'need consumer protection laws'

PRIVATISATION of state-owned monopolies has not automatically improved standards of service, according to Mrs Sally Oppenbeim-Barnes, chairman of the National Consumer Council.

Mrs Oppenheim-Barnes said at the annual consumer congress in Newcastle yesterday that "poor management and bad working practices do not disappear over-

night." Mrs Oppenheim Barnes, a former Conservative minister for said clearly to the Government that unless and until it is adequately regulated, simply moving a monopoly from the public to the private sector does little or nothing for its consumers."

The NCC was concerned about out measures to protect consum. limited choice: ers. For example, food cost more

ing standards.".

she called private and public monopolles the "black market,"

The "white" market, however, grey markets. was typified by high street shops She said: "Anything we can do where competition was unfettered and consumers were prop black markets by introducing



Sally Oppenheim-Barnes: Call for robust regulation

plans to privatise the electricity and water supply industries with tions meant higher prices and a

She said: "Robust regulation of "than it should because of EC the privatised industry will be "agricultural policy, beer and perneeded if consumers are not to be rol were affected by supplier reng standards." vehicles and clothes were over Mrs Oppenheim-Barnes said priced because of import restric

monopolies the "black market," Mrs Oppenheim-Barnes said as since consumer power was so much as half of family expenditure could be in the black and

tected by a framework of laws. more competition must have in between was what she called overwhelming benefits for conthe "grey" market where restric- sumers and the whole economy."

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BR to disclose options for Channel tunnel rail update

BRITISH RAIL is to publish Paul Channon, Transport Secre-options for improving the rail tary. British Rail is in dispute route to the Channel tunnel with Mr Channon over what Sir which is to open in 1998.

increasing the capacity of the tunnel and train seat and terminal capacity from the mid 1990s, ties for passengers using the after BR will have had experience Channel tunnel tunnel tunnels. BR is planning to the possibilities include spend 120m on the international training to the possibilities include tree possibilities include stretches of new, high-speed rail line using purpose-dasigned trains. The decision on whether to go ahead will be determined by the profitability of the options being considered.

The property British Paril Rube

The present British Rail links to the Channel will provide rail capacity to handle all the traffic BR expects to get when the tun-

The report will be sent to Mr

MIM BRITANNIA UNIT TRUST MANAGERS LIMITED . Scheme of Amalesmation Britannia Arrow Energy Trust with MIM Britannia



As o result of the passing Extraordinary Resolutions by the unitholders of the above Trusts at separate meetings, the Scheme became effective on 2nd July, 1988. The terms of Arrow Eocray Trust for units of Mim Britannia Universal Energy Trust is as

1 Unit of Britannia Arrow Energy Trust - 0.91725 C Units of MIM Britannia Universal

Replacement certificates former bolders of Units of

Robert Reid, chairman of the A report due to be published on Thursday covers options for increasing the capacity of the tunnel and train seat and termi-

passenger terminus to be built at Waterloo Station but it wants customs formalities to be carried

out on the trains. Sir Robert said last week that tima was running ont on the issue. He said the expected delay of half an hour for customs in the terminal "undermines the com-petitiveness of the Channel tun-

Skill shortage, Page 8

Communications agency buys into French group By David Cohen

DEWE ROGERSON, the international financial and corporate communications company, is to acquire 50.1 per cent of the private French communications agency FRI Group for £500,000.

A rights issue in FRI will reduce the stake of the present controlling shareholder, Worms & Cie, to about 40 per cent.

The move gives Dewe a foot-

hold in the French market to add to its operations in the UK, USA, Japan and Australia. Previously. Dewe has expanded by starting up its own offices.
FRI announced profits of

£200,000 in its most recent financial year. Its clients include the French Treasury, Fiat and BSN.
Dewe has been appointed to handle the public relations and marketing for the flotation of the water boards scheduled for anomal November 1980

around November 1989.

PUBLIC SPENDING RESERVE CUT BY MORE THAN ONE THIRD

Treasury may concede higher cash target

BY PHILIP STEPHENS, ECONOMICS CORRESPONDENT

THE UK Government's £7bn public spending reserve for the the background of serious con-1989-90 financial year beginning cern within the Treasury about next April has been cut by more the inflationary implications of than a third even before the start of ministerial bargaining on new

The allocations from the reserve, for local authority spending and for health service pay, have intensified expectations that the Treasury will be forced to concede an increase in its cash target for the third consecutive

Broad guidelines for the latest round of spending negotiations will be set by the Cabinet on Thursday, although agreement on the final figures will not come until several months later in the

The negotiations start against erty taxes in the run up to next ernment's resolve to bring down the rapid growth of demand in the economy and of a sharp wid-

A Treasury spokesman yester-day denied reports that it was examining contingency plans to curb inflationary pressures by introducing new taxes on hous-

He pointed out that Mr Nigel Lawson, the Chancelior of the Exchequer, had specifically ruled out fiscal "fine-tuning" and had indicated that the prospective rise in mortgage rates was likely to could the bouring means and the could be could be could be bouring means. to cool the housing market.

The Treasury is likely to examine the possibility of new proping in inancial markets about the Goy-

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year's Budget, but the spokesman inflation.
yesterday indicated that it would The officials are doubtful, how stick to its traditional position of ever, that Mr Lawson will be able

refusing to discuss Budget to insist on the politically uppopular cutbacks needed to defend the target, particularly as government lawson is likely to cite the risk of "overheating" in the economy as a counter to demands the target particularly as government revenues are running far shead of expectations.

The Treasury has confirmed the target particularly as government revenues are running far shead of expectations. from spending ministers for that the new limits for local around £8bn of extra cash alloca aothority spending annual tions next year. tions next year. last week will reduce the 1989-Senior Whitehall officials contingency reserve by £1.5m.

Senior Whitehall officials contingency reserve by £1.56m.
believe that an increase in the
£167bn spending total now pencilled in for 1989-90 would seriously undermine the credibility
of the Government's system of
cash planning.

That might add to concerns in
financial markets about the Gov
Taken together with smaller
items like increases in housing
before
the formula officials contingency reserve by £1.56m.

This year's pay deal for mirres
and other health service workers
will pre-empt another £750m even
before any additional increase in
pay next April.

Taken together with smaller
items like increases in housing
before
before
the formula officials contingency reserve by £1.56m.

Night pre-empt another £750m even
before any additional increase in
the formula officials contingency reserve by £1.56m.

Night pre-empt another £750m even
the formula officials contingency reserve by £1.56m.

Night pre-empt another £750m even
the formula officials of the formula of th



Nigel Lawson: ruled out fiscal

22.5bn of the £7bn has already heen earmarked eight months before the start of the financial

Ballots urged over disputed TV work

THE MONOPOLIES and Mergers Commission has been urged by the independent television companies to recommend a change in the law to require actors' and musicians' unions to ballot their members before instructing them not to undertake work.

The suggestion is contained in written evidence given by the ITV Association joint employers' body to the MMC inquiry into labour practices in the film and television industries. It would mean a significant broadening of

employment law. Under existing law, the actors Union may instruct members not to undertake work for film and to unhertake work for him and contracts during disputes without a ballot because it ballot under the 1984 Trade does not involve breaking contracts.

The 16 ITV companies are

If the Government took up the increasingly worried by restric-suggestion of a change in the increasingly worried by restric-law, it would mean a widening of restrictions on unions calling cisms. Union. The ITVA has just industrial action to take in the drawn up proposals to simplify growing number of workers who the MU agreement, which runs

its closed shop agreements with film and television producers — Equity and the Musicians Union allow it several benefits, and do not lead to undue restrictions on its use of labour.

In any television producers — and gained a 99 per cent majority in favour of its negotiating position — it was not a formal industrial action ballot.

It also says that individual ITV companies are reaching new staffing agreements with the staff unions representing technicisms, journalists, electricians and studio staff, and excessive staffing

The Musicians' Union closed shop in particular is said to be in employers' interests because the union has the right to give consent for the repeat or sale of programmes on behalf of individual

employment law.

But the evidence, disclosed by Under existing law, the actors an ITV company, says the free-union Equity and the Musicians dom of the "talent" unions to instruct members not to sign new contracts during disputes with-

are employed on short-term con-tracts.

Apart from this proposal, the

TTVA argues in its evidence that
negotiations with independent

Kinnock rivals carry torch in epoch of darkness

BLACKPOOL, on England's north-west coast, is a long way from Moscow. But for Mr Tony Bena the Labour conference there in October will see the cul-mination of a leadership challenge he hopes will prove as gal-vanising for the Labour Party as Mr Mikhail Gorbachev's recent political shake-up may prove to be for the Soviet Communicat

Party.

The drama of the economic, social and now political change taking place in the Soviet Union has infected both sides in the Labour leadership contest.

Me Brean Could one of the

gle.
The comparison with Mr Yegar
Ligachev, long viewed as the conservative brakeman on Mr Gorbachev's perestrolla express, irritates Mr Benn. The veteran

left wing MP doubts the validity of the Soviet analogy, but would prefer to cast himself in the role of Mr Boris Yeltsin, the engine driver who went too far, too fast even for Mr Gorbachev, having the andacity to question the Soviet leadership's reforming cre-

Behind the somewhat playful references to the Soviet experi-ence, Mr Benn clearly feels that his challenge to Mr Kinnock has already served its purpose. What-ever the outcome of the electoral college vote in October - widely expected to be a comfortable endorsement of the status quo he believes he has triggered a debate among the rank and file on the future direction of the party, that had threatened to be smothered by the leadership's promotion of its policy review.

Central to Mr Benn's argument is that the policy review, by dilut-ing the party's commitment to public ownership, reaffirming Britain's role in the European Community and Nato and through its endorsement of mar-ket forces, represents little more than an acceptance of the key

tenets of Thatcherism. The broad areas of bipartisan-ship between the two front benches has reduced the electoral argument to a dispute over who can run the capitalist system more efficiently and humanely.

CHARLES HODGSON looks at the left's challenge to the Labour leadership

For Mr Benn, this is a road travelled by every Labour gov-ernment since the war, becoming most marked in the Wilson and Callaghan years, when he was in the Cabinet, which were "essen-tially SDP governments". It is a well trodden read, he says, to electoral disaster.

architects of Labour's "New Realism" policy review, recently described Mr Benn as the Ligachey of the party, threatening Mr Neil Kinnock's bold new vision with a divisive appeal to outdated values, couched in the outdated language of class strusge.

The comparison with a first party does believe in it. and a party does believe in it. and a party does believe in it. and a party does believe in it.

who believe in it," he says. "They are not sure that the Labour Party does believe in it. . and of course they are right."

Labour is "defusing" its own supporters, Mr Benn feels, telling them not to rock the boat, that when it comes to power things will come out right. "That is a form of dreaming that I find very dengerous." he said.

dangerous," he said.

"I see a very different future from the idea that we have no choice but to be Labour wetz who are accommodating themselves to so-called irreversible changes."

Mr Kinnock has countered that Mr Kinnock has countered that it is Mr Bean and Mr Bric Heffer, his co-challenger for the deputy leadership, who are the dreamers, "living in Dianeyland", reflecting a level of debate from the Kinnock camp at least that has concentrated on personalities

rather than policies.
In public, Mr Benn is reductant to hit back in similar vein. But

In public, at bean is reactant to hit back in similar vein. But he is scathing of what he sees as the failure of the leadership to exploit and channel real anger about the impact of Mrs. Thatcher's policies and the "hack me or sack me" approach adopted by Mr Kinnock and his immediate predecessors.

"One of the most puhappy features of the past five years is that anyone who disagrees however marginally with the leadership is abused, personally abused, and that abuse has been an attack on anthenticity and legitimacy of other views to the views of leadership," he says.

The idea that there is what Mr Benn likes to call a "genuine socialist alternative" to the conscious has been lost, he says, in the argument about moderation versus extrem-

iam, in appeals for party unity and media attacks on the "loony

The leadership contest has put that alternative back on the agenda, he believes, and articulated genuine grassroots disquist at the policy review. It has forced frontbenchers back on to the picket thes, a swift and chunny double U-turn on defence, and has guaranteed that the policy review will not go through conference "on the mod". He claims wider-than-expected support for the challenge.

wider-than-expected support for the challenge.

Last week at a London meet-ing, the "two venerable gentle-men of pensionable age", to quots Mr John Edinonds, the gen-eral workers' union leader, won warm support for their platform. Mr. Hefter forcefully outlined the relieve since repartionalisation Mr Helfer forcefully outlined the policy aims: renationalisation of privatised industries, repeal of trade union legislation and curbing of the power of local enthorities, abolition of the House of Lords and reaffirmation of unilateral nuclear disarmament.

Mr Benn aimed for the higher intellectual ground. The campaign, he told his 400-strong audience, was about the meaning of socialism. The basis of socialism in that we owe a duty to one

is that we owe a duty to one mother," he said. "If we let that go by default in the name of New Realism we are simply allowing the present system to dominate. We are collaborating with our

Own oppressurs.

Peace, jobs and hope were the message of a speech designed to incill in the mostly young listeners some of the optimism and zeal of the socialist pioneers. Mr Benn is fond of historical

parallels. In the car back to the House of Commons, he likened his and Mr. Heffer's punishing campaign schedule to the criss-crossing of the country by the early socialist leaders, spreading the massage.

For Mr Benn and Mr Heffer for Mr Henni and Mr Hauser this compaign may be "the last gasp of the geriatrics", in Mr Denis Healey's phrase, but Mr Benn believes at the very least "a little flicker of hope has been kept alive in a very dark period". At best, he thinks the debate it has generated will eventually force the present leadership to think again about a strategy that the "eventually force the present leadership to think again about a strategy that is "even less effective than the Wilson and Callaghan policies". "I have seen the past," Mr Benn says wryly, "and it does not work."

Bacing to victory, Page 8

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(ACTION REQUIRED ON OR PRIOR TO 30TH SEPTEMBER 1988)**

Chemical Bank, as Depositary (the "Depositary") under the Deposit Agreement dated as of February 15th 1970 among Tokyo Shibaura Electric Company Limited (the "Company"), the Depositary and the holders of European Depositary Receipts (the "Receipts") Issued thereunder in respect of shares of Common Stock, per value 50 Yen per share, of the Company (the "Common Stock"), HEREBY GIVES NOTICE that at the general meeting of stockholders of the Company held in Tokyo, Japan on June 1988 such shareholders approved the payment of a dividend of 4 Yeu per share of

The Dividend on the shares of Common Stock of record on Deposit with the Custodian under such Deposit Agreement, less a portion thereof withheld by the Company on account of Japanese taxes, has been received by the Custodian as agent for the Depositary, and, pursuant to the provisions of such Deposit Agreement, has been converted into United States Dollars at the rate of 134.65 Yen per United States Dollar.

The Depositary has been advised by the Company that Japan is a party to international agreements with Australia. Belgium, Canada, Denmark, France, The Federal Republic of Germany, Malaya, New Zealand, Norway, Singapore, Sweden, Switzerland, the United Arab Republic, the United Kingdom and the United States of America under which certain persons are entitled to 15% tax withholding rate on dividends such as the dividend in question. The persons so entitled include residents of such countries and companies organised thereunder meeting certain conditions relating to the carrying on of trade or business in Japan. Persons not so entitled to a 15% tax withholding will be paid a dividend on which

To determine entitlement to the lesser tax withholding rate of 15% it is necessary that the surrender of Coupon No. 70 be accompanied by a properly completed and signed certificate (copies of the form which are obtainable at the office of the Depositary in London or any Depositary's Agent) as to the residency and trade or business activities in Japan (if applicable) of the holder of Coupon No. 70. Such certificates may be forwarded by the Depositary to the Company upon its request. Payment in United States Dollars of the amount of the dividend payable will be made at the office of the Depositary in London or at the office of any Depositary's Agent listed below upon surrender of Coupon No. 70.

DEPOSITARY'S AGENTS

NAME Chemical Bank The Bank of Tokyo Limited Pierson, Heldring & Pierson Banco Nazionale del Lavoro Kredietbank S.A. Luxembourgeoise **ADDRESS** Fankfurt, Germany London, England Paris, France Brussels, Belgium Frankfurt, Germany Milan, Italy

The following table sets forth the amounts payable upon presentation of Coupon No. 70 from the various denominations

	receibrar		
	Coupon No. Detached from Receipts in the Denomination of:	Dividend Payable (less 15% Japanese withholding tax)	Dividend Payable (less 20% Japanese withholding tax)
•	I Depositary Share	\$1.26	\$1.18
	10 Depositary Shares	\$12.63	\$11.89
	20 Depositary Shares	\$25.25	823.77
	50 Depositary Shares	\$63,13	\$59.42
	700 Decogitary Shares	\$196.95	\$112.22

Payment in United States Dollars in respect of Coupon No. 70 will be made by United States Dollar check drawn on, or trimsfer to a United States Dollar account maintained by the payee with a bank in New York City.

Date: 11.0788 Chemical Bank, as Depositary, 180 Strand, London WC2R 1RX, England.

"31st March 1988 has been established as the record date for the determination of the stockholders of the Company entitled to such dividend. All receipts issued in respect of common stock not entitled to share in such divident will be without Coupon No. 70 attached

**Certain holders of Receipts may be entitled upon the fulfilment of certain conditions to reductions in the withholding tax rate applicable to them. The Depositary will, if in its discretion not unduly burdensome and upon payment of all expenses incurred in connection therewith, take such action as it deem appropriate in the circumstances to assist such holders in availing themselves of such reductions.

Because of Japanese tax requirements applicable to the Company, the Custodian has been asked to remit to the Company, shortly after 30th September, 1988 the excess received by the Cossodian over 80% of the dividend payable and allocable to

As a result, persons surrendering Coupon No. 70 after such date will be entitled to receive from the Depositary or any Depositary's Agent a dividend on which a 20% tax withholding rate has been applied and, if entitled to a 15% tax withholding, will be required (in order to realise such emittement) to make application to the Company for an additional 5%. Such application may, consistently with the foregoing paragraph, be made through the Depositary.

OMBON TATEISI **ELECTRONICS CO.**

Acrica has been received from Tokyo that pay-paint of a Cash Dividend of Yen 6.00 per share has been made for the six months period ending 31st The dividend will be payable in United States Dai-

results of the United Kindoom was receive payment in sterling converted at the rate of exchange ruling on the day of presentation of the coupons.

COLPOTS.
PERSONATE OF THE FOLLOWING COUNTRIES.
Who are subject to deduction of Japanese Withholding Tax at the reduced rate of 16%, will receive
a nat divident of 50,2150 per Depositry share
stre circlection of Withholding Tax amounting to
\$10,000.

50.0950. Australia, Belgium, Carnete, Denmark, Pinlend, Prance, The Federal Republic of Germany, Indy, Malayela, The Netherlands, New Zeelend, Nor-way, Stragours, Swedden, Setzerland, The United States of America.

United States of America.
PRISEDENTS OF ALL CITHER COUNTRIES.
(EXCLUSION) THE REPUBLIC OF KORTEA) who
are subject to deduction of Japaneses Withholding.
Tax to the Sub total of 20% will receive at not
environ of 30,225 per Depository stress, some
document of Withholding Tax amounting to

S0.0507.
RESIDENTS OF THE REPUBLIC OF KOREA who are subject to deduction of Japanese Withholding Tax to the reduced rate of 12% will receive a net decoral of 50.2232 per Depository share else deduction of Withholding Tax amounting to \$0.0004.

STATE OF THE ANGEL OF THE ANGEL OF STATE OF THE ANGEL OF

Attention is drawn to the fact that the afprenser Adjuntion is drawn to the fact that the storement-terined concessions relating to Lapenness Wichhold-ing Tex apoly only to coupons presented for pay-ment within the monite of the record date Le. Tals Alarch 1985. Thereafter, has will be deducted at the full rate of 20%, and it will be the responsible by of the owner to older from the Japenness Tex Authorities any returned to which he is embled.

Authorities why return to which he is entitled.

HOLDER'S OF BEARTH DEPOSITARY
PECEDY'S (B.D.P.h) whining to claim this
distinant should present Coupen No. 50 at the
Oblices of any of the Interview.

His Semuel & Co. Umilied,
46 Seech Sares, Landon ECCP ELX.

(Where lodgement forms are available). Kredeberk S.A. Luxembourgedon, 43 Boulevard Royale, Luxembourg. Bank of Tokyo Limited, 48 Rus Santa-Arms, Ptota 1, Prents. Back of Tokyo Limited, Immermentetrases 45.

Immermentersee +s. 4000, Dusseldorf 1, Federal Republic of Germany. Bank of Tokyo Limited. Avenue des Arts 47-49, 1040, Brussels, Belgken. Bank of Tokyo Trust Co., 100 Broadway, New York, U.S.A. In the case of Coupons presented for payment in London. United Kingdon Tax will be deduced from the processor united a support of the learnd Revenue Allidant of Non-Residence.

MOTICE OF RATE OF INTEREST

U.S.\$55,000,000 PLCATING RATE
BERIAL NOTES DUE 1999
In apportance with the provisions of the
the Reference Agency Agreement
beasses Banque Exterioure of Agence and
Citibenic, N.A., dated as or June 5, 1976
notice is hereby given that the Rate of
Interest has been food at 5,975%, p.s.
and that the Coupon Amount payable on
January 11, 1999 against Coupon No. 19
WIR DE U.S.J.196.05 and that such amount
has been computed on the actual number
of days etaposed (184) divided by 350.

As a resoft of the principal repayment of 3500 per hote due demany 11, 1969 pursuant to position 1 of the hotes, the value of each folds will somethingly be reduced to \$3,500. CITIBANK, N.A., London CSSI Dept. Agent Bank

PLANTATIONS BERHAD (incorporated in Maleysia) NOTICE OF MEETING

NOTICE IS HEREBY OVEN that the Twetth Amost General Meeting of the Company will be held to the Theatrets, dround Roor, Banguren MEEF, Jaise Tun Rasek, 50400 Kosta Limpur, on Wednesday, 10th August. 1988. at 1130 and for the following purposes:

1. To receive and consider the Report of the Directors. the Statement of Accounts for the warr anded Jisst

Auditors.

2. To declare a divident.

3. To approve the Directors' retouneration for the year anded Stat March, 1954.

4. To sheet a Director.

5. To appoint auditors and to authorise the Directors to its first resumeration. By treer of the Board MOHO, NADZEI MAHRAUD

Tith July, 1985
Notes

(I) A member of the Company exitted to attend and vote to the above meeting may appoint one or more prouse but not exceeding two, to attend and vote in his stead. Where a member experints bee proxies, the appointment shall be invalid unless he appointment shall be invalid unless he specifies the proportion of his holdings to be represented by each proxy. A proxy need not be a member of the Company but max attend the needing in person to vote. The frestrument appointing a proxy must be deposited to the Company's registered either not less than 48 hours before the time for holding the meeting or any adjournment thaned.

(R) If the divisional is approved to the Annual General Meeting, it is intended that the varnants be psychile on 3rd January, 1980, to shareholders registered in the books of the Company at the close of business on 2nd December, 1985.

(H) There are no contracts of services

US \$20 MELLION GUARANTEED FLOATING RATE NOTES 1990 SERIES ' B" The interest rate applicable to the above Notes in respect of the three month period commencing 11th July 1968 has been fixed to 8446s per annum. over trace to Efficiency annum.
The interest amounting to US \$21.24 per \$1,000 principal amount of the Notes will be paid on Tuesday.
11th October 1988 against presentation of Coopen No.22.

LEUM INTERNATIONAL INVESTMENTS N.V.

of Coopen No.32 BANK LEUMI TRUST COMPANY OF NEW YORK Principal Paying Agent bank leumi אוגרי פום 🖨

CASSA DI RISPARMIO DELLE PROVINCE LOMBARDE paness Yen 10,000,000,000 Floating Rate Depository Receipts due 1883

in accordance with the terms and conditions of the Receipts, we hereby give notice that the Rete of Interest for the period from 13th July 1988 to 13th January 1989, was fixed at 4,95% per ennum. On 13th Jenuery 1989 interest of Yen 248,897 will be due per Yan 10,000,000 Receipt. The Taiyo Kabe Bank Limited

Tokyo Agent Benk Deted 11th July, 1988

Contracts & Tenders

AVIS D'APPEL D'OFFRES DEPARTEMENT DU COMMENCE

APPEL D'OFFRES INTERNATIONAL NY DCO/DCA/SN 978/88 POUR LA FOURNITURE DU MAYERIEL DE VOIE

Le Societé Nationale de Trading - SONATRAD - met en adjudication publique la fourniture de 220.000 Traverses métalliques destinées à la SOCIETE NATIONALE DES CHEMINS DE FER ZAMONS (S.N.C.Z.).

Cette demière a demandé à la KREDITANSTALT FUR WIEDERAUFBAU (K.F.W.) un crédit en vue de financer le ler projet de réhabilitation du secteur transports au Zaire (votet S.N.C.Z.).

2. DESCRIPTION DES FOURNITURES

Le présent appei d'offres porte sur la fourniture CIF SAKANIA d'un lot unique et indivisible constitué de 220.000 Traversés métalliques.

Le lot étant indivisible, tout candidat est tenu de gougnissioner pour l'appenable La SCNATRAD sélectionnera l'offre la plus avantageuse du lot.

3. RETRAIT DU DOSSIER O'APPEL D'OPFRES. Le dossier complet d'appel d'offres peut être obtanu contre remise d'un chèque burté d'un montant de 150.000 zatres ou 30.000 france belges, à partir du 08.07.1986 aux adresses suivantes :

1. SOCRETE NATIONALE DE TRADING "SONATRAD"
BUILDING C.C.I.Z. - 226 NIVEAU
B.P. 15.711 - KINSHASA/I
TELEPHONE : 30.582 - 30.596 - 32.304
TELEPHONE : \$0.582 - 30.596 - 32.304

TELEX: 21634 . TELEFAX: 30.592 REPUBLIQUE DU ZAIRE

AGENCE DE BRUDELES 15, RUE DE LA LOI, BOTTE 052 B-1040 SRUXELLES TELEPHONE: 02/230.37.97 TELEX: 25444 TELEFAX: 02/230.47.62

2. SOCIETE NATIONALE DE TRADING - "SONATRAD"

3. SOCIETE NATIONALE DE TRADING - "SONATRAD" AGENCE DE LUBIMBASHI 225, AVENUE MSIRI 8.P. 1573 - LUBUMBASHI 7ELEPHONE : 22 53 71 - 22 52 49 REPUBLIQUE DU ZAIRE

La participation à la concurrence est ouverte à égalité de conditions à tout fournisseur intéressé per la présent appei d'offres.

5. REMISE ET OUVERTURE DES OFFRES Les offres seront remises sous double enveloppe cachetée, par envol postal recummandé ou par porteur contre acqué de réception, à SOCIETE NATIONALE DE TRADING - "SONATRAD" BUILDING C.C.I.Z. - 228 NIVEAU B.P. 15.711 - KINSHASAA TELEPHONE: 30.592 - 30.596 - 32.304

TELEX: 21684 REPUBLIQUE DU ZAIRE avant le 08.09.1988 à 10 heures locales, date et heure auxqueiles il sera procède à l'ouverture des offres en la saile de réunion du 22e niveau Building C.C.I.Z.

TENDERS FOR PROJECTS TO **DEFINE MANAGEMENT COMPETENCES**

Tenders are invited for a series of projects aimed at identifying the competences of supervisors and managers. Each project will start in the Autumn and last for up to 18 months. The Training Commission is particularly interested to hear from those with experience in management training and/or in defining management competences.

For additional information: Euin Hill, TRAINING COMMISSION, MOORFOOT SHEFFIELD S1 4PQ. Tel: 0742 703544

Wandengrib Becaugh Council at Argyle Extate SW19, Patroore Estate SWII and Whitlisch Delve Bitate SWIF

convergence wishing to be considered for endousing to under for the provision of new individual gas fired heating and hot water installations to approximately 1550 dwellings each let Augile Estate SW19, Patmore Estate SW11 and Whitlock Drive Estate SW13 should submit sounce to the Chef Essentive and Director of Administration, Room 111. Topps Hall, Wandsworth High Street, London SW18 ZPU, by 29th July 1955 quotting softrence Dk1/2h.

Applicants must provide the name of the company who would under for the contract and provide the following information in respect of that company:

(a) desails of labour force and technical and supervisory staff available; (b) nesses and addresses of three technical reference and the name and address of the Company's Banker; (c) desails of sinilar work undervaken dur-ing the last three years (d) copies of the last three years audited accountry and

country and the last two years' audited accountry and (c) the Company's policy statement in accordance with Section 2(3) of the Health and Safety to Work etc., Act 1974.

(N.B. Applicants should rufer only to the above-mentioned scheme and must not incorporate replies to other advertisements placed by Wandgrouth Borough Council. Late applications full not be considered].

it is undergated that student will be invited from selected continuous later this year tests work expected to continuous on site carty in 1989.

The surveying services for the acheme will be provided by Harding McDermott and Raysers, Styline House, 200 Union Street. London SEI 61.2, under the direction of R.I. Sheppard FRICS, F.H., Director of HOusing, Town Hall, Wandsworth, High Street, London SW18 2PQ.

7 W.

enga Kana

Rentals

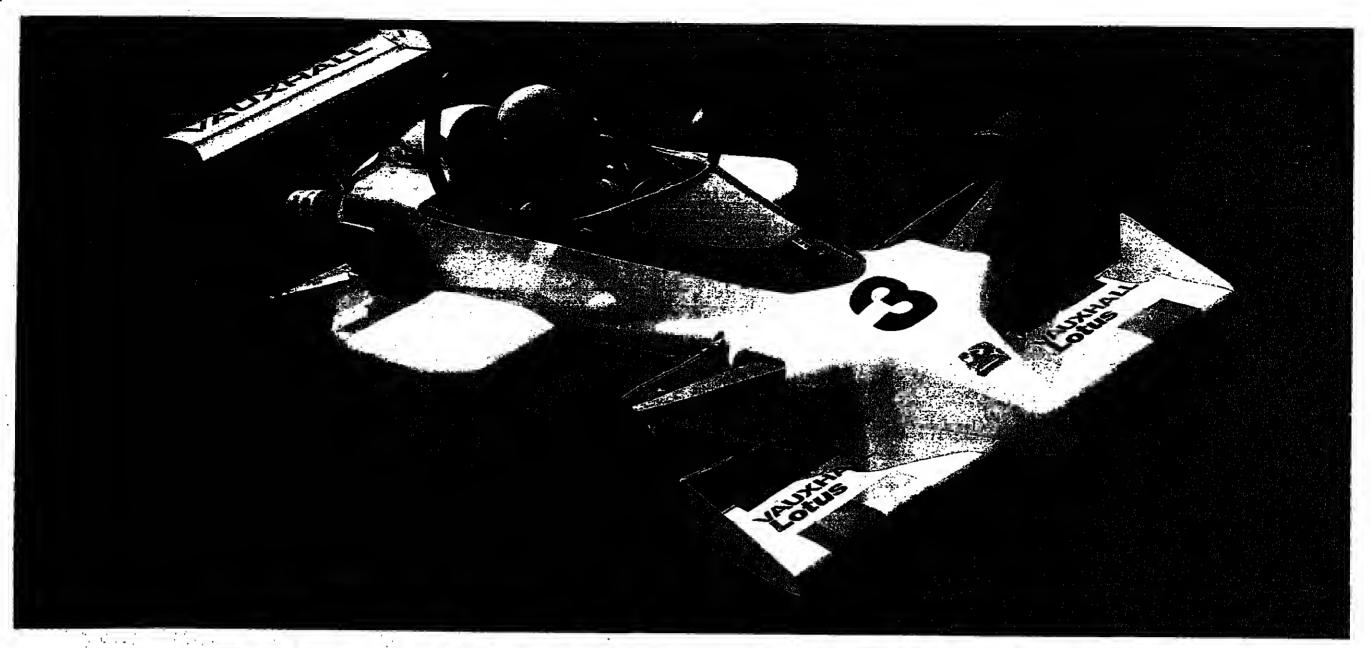
Plaza Estates

Purchapter Gastiess, W2 Delightful new sclash 1st fit that in good PB Block. 2 Beds. Buth, Reven. P/P Kt. Lift. Poter. Long lets 527500 p.w. 01 72s 3100 Rubnes Read, W.14 Selection of newly referbished flars. Scadios from £130,00 p.w. I Bed from £165,60 p.w. 2 Beds from £200,00 p.w.

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meet YOUR MORE lodey to rich Americans loo heavy impensable lotates another paster bows, in Kernalden foollend Park and Survey. Dam't appensable, Call Fore natural spaces and paster of the paster of



THE NEW 16 VALVE ASTRAGTE. (AROUND TOWN WE RECOMMEND THE 4. SEATER VERSION.)

The car you see above is a powerful animal.

It was developed by Vauxhall and validated by Lotus, to race in the newly-formed Vauxhall-Lotus Challenge.

It can accelerate from 0-60 in a little over 4 seconds. And on full throttle, it's capable of a breathtaking 161mph.

The immense power comes from a completely new 16 valve 2.0 litre engine.

The same engine, in fact, that powers the car you see below. The new 16 valve Astra GTE.

The GTE is, of course, more refined than its racing cousin. A roof, two doors, four seats, stereo.

But have we sacrificed performance for comfort?

Hardly. Sequential fuel injection will rocket you from 0-60 in just 7.6 seconds. Put your foot down and its 156 hp could pull you along at 137mph.

True, up against its racing stablemate it would almost certainly come second.

But in the eyes of Car magazine, it's an outright winner.

They describe its acceleration as 'amazing'. And its engine, they say, is 'the most eager you'll encounter this side of a Porsche'.

High praise indeed.

For the road, we've also worked on the Astra's handling ability.

We've given it a new 5-speed close-ratio gearbox to make slick gear changes even slicker.

We've improved braking by adding solid rear disc brakes to the ventilated front discs we have already.

And we've modified the chassis for even better stability on all road surfaces.

However, you'll only appreciate these differences when you get behind the wheel.

To look at, the GTE is as elegant as ever.

You may well spot the discreet 16 valve badges on the rear tailgate and front airdam. And a closer look might reveal the twin rectangular exhaust pipes.

But the real beauty in this beast lies beneath the bonnet. The new 16 valve Astra GTE. £11,776. For further information, call 0800 400 493.

THE 16 VALVE ASTRA GTE.



VAUXHALL. ONCE DRIVEN, FOREVER SMITTEN.

BAe prepared to accept reduced aid to Rover

BRITISH AEROSPACE is understood to be ready to accept a reduction of up to £250m in gov-ernment aid to the Rover Group, provided the Government makes expected concessions on other elements of BAe's proposed takeover of the state-owned car

The insistence of the European Commission on a large reduction in the Government's planned £800m cash injection into Rover has threatened to undermine the

The most recent negotiations have concentrated on improving other aspects of the takeover,

BAe, whose chairman is Professor Roland Smith, now hopes that the net impact of the commission's cuts can be kept below \$200m, a level it believes will prove acceptable both to its own shareholders and the City.

A key area for adjustment is believed to be the size and treatment of Rover's carry-forward learning the left of the commission. In addition, BAa has more proof for memory room for memory room

As part of the original deal announced at the end of March, Rover Group's tax-deductible carry-forward iosses were reduced from £1.6bu to £500m, and it was agreed that they could be offset only against future Rover Groop profits.

Appear in the first six months of the year.

BAe expects a deal to be agreed shortly and is confident that it can be completed before the end of July.



In addition, BAa has gained some more room for manoeuvre because of Rover Group's better financial performance than expected in the first six months

BY KEVIN DONE, MOTOR INDUSTRY CORRESPONDENT

in spite of a slight fall in the US,

in the first six months of last year, but its main competitors in the US, which include BMW, Mer-cedes-Benz and Porsche, have all

suffered sharper falls. The company's share price rose sharply last week, with heavy lation about one of the leading depressed after several recent US automotive groups building a downgradings by City stockbrok-

group, sales rose to 478 cars in

Jackson Group (SE) ... Maik theore N.V. (AmstSE)

Grazville & Co. Lid. 8 Lovet Lune, London ECSR 88P

7751

Prof Roland Smith: Hopes conditions can be eased

BAe now bopes those condi-tions can be eased in return for it accepting the hefty cut in the cash injection demanded by the

Jaguar's worldwide sales increase 11.5%

JAGUAR, the luxury car maker, the first six months, double the increased its worldwide sales by volume achieved in the same 11.5 per cent, to 24,742 units, in the first six months of the year. In continental Europe, sales in volume achieved in the same the first six months rose by 14 per ceut, to 4,045 units: sales

its biggest single market.
The company said it expected The company said it expected many, to 1,253 units; up 19 per retail sales to reach about 53,000 many, to 1,253 units; up 19 per units for the whole year, an cent in France, to 571; up 30 per increase of some 13 per cent from cent in Italy, to 464; up 18 per cent in Switzerland, to 448; and

It has been forced to reduce its up 29 per cent in Spain, to 290. earlier 1988 forecast of sales of The company is still dissatisfied. 55,000 units because of the weak with its sales network in West ness of the US market for luxury Germany and wants to restrucimported cars. Its US sales were 9,897 units, compared with 10,024

in Japan, where Jaguar last announced until mid-August, but year established a new 40:60 are expected to show a fall to jointly owned sales and distribution company with Seibu, a lead-first half of 1987 and 267.4m in ing Japanese department store the first six months of 1986.

campaign By Kieran Cooke in Pomercy, Northern ireland MR SEAMUS WOODS, 22, was buried at an IRA funeral in

Pomeroy yesterday. Mr Woods, killed on Thurs-

Mr Danny Morrison, representing Sinn Fein, the IRA's political wing, told graveside mourners that in spite of the serious losses the IRA had suffered in recent months, the military campaign would not the serious losses the IRA had suffered in recent months, the military campaign would not

stop.
He said: "We will continue and have the courage and resources to do so."

The IRA is known to be concerned about recent security forces successes and a number

These include the killing of two civilians by an IRA bomb in west Belfast last week, the bombing of a school bus two weeks ago and the Emiskilleu massacre last November.

Tha disquiet in Republican ranks was reflected in a weekand statement by Mr Gerry Adams, the head of Sinn Fein. "There bas been a series of unfortunate mistakes which have had terrible consequences on the civilian victims. The onus is on the IRA to sort all that out, to put its bouse in

As the funeral cortege, fol-lowed by more than 1,000 peo-ple, wound its way to the town's Roman Catholic Church, members of the local Orange Order paraded at the other end of the main street. At one end of Pomeroy, the Irish tricolour flew at half mast; at the other, the kerbstones were painted red, white and blue and the Union Jack was raised.

ture its dealer organisation there. Overseas sales, including Japan, jumped by 30 per cent, to 1,934 units. Jaguar said it expecter whirred overhead. ted shortly to appoint its first importer-distributor in South

Uotil they jumped last week, ing firms of their forecasts for Jaguar has increased sales par-ticularly strongly in the UK and Japan. Sales in the UK rose by 32 per cent to 7,680 mits in the first half, which was more than Jag-uar's total UK sales for the whole of 1986.

Jaguar profits in 1988, and partic-the weak US dollar and the com-pany's difficulties in raising its prices in the crucial US market. Jaguar's pre-tax profits for the first half of 1988 will not be

Lex, Back Page

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8 Level Lope, Lopdon ECIR SRP Telephone 01-621 1212 Member of the Stock Exchange & TSA

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Securities designated (SE) and (USM) are dealt in subject to the rules and regulations of The Stock

e Securities are dealt in scrictly on a matched bargain basis. Relither Gravellie & Co nor Grar es 130 are market makers in these securities.

DM 100.000.000,-

Floating Rate Notes - Schuldverschreibungen -

Serie 185 - 1985/1995

For the three months 10th July 1988 to 9th October 1988 the notes will carry an interest rate of 4.45% (Fibor less 0.10%)

per annum with a coupon amount of DM 55.63 per DM

The relevant interest payment date will be 10th October 1988.

Listed on the Dusseldorf Stock Exchange

Deutsche Siedlungs-und Landesrentenbank Kennedyaliee 62 70, 5300 Bonn 2

Telephone 02 28/889-215 Teletex 228324 DSL Bank

hears pledge to continue

day night while carrying out a mortar bomb attack on the police station in this small town in east Tyrone, was the 21st IRA member to die in the

A similar message was given by an IRA man who appeared at the graveside, his face hidden by sunglasses and a black

of bungled operations by its

Pomeroy was yesterday representative of much of the division of history, religion and politics in Northern Ireland.

was raised.

Police surrounded the graveyard while the burial was going on and an army helicop-Elsewhere in Northern Ireland, a series of marches marking the beginning of a week of Orange celebrations passed off peacefully.

SAS inquest story denied

By Charles Hodgson

THE MINISTRY of Defence last night dismissed as "specula-tion" a Sunday newspaper report that the SAS soldiers who shot dead three IRA ter-rorists in Gibraltar in March had decided to attend the

The MoD said the seven men involved in the operation were still considering whether to attend the inquest on September 6, after the coroner's rejection of their request for strict

anonymity.
Mr Felix Pizzarello ruled that the men must be visible to the inquest jury and lawyers acting for families of the dead IRA members.

The Government is also seeking legal advice hefore deciding what guidance, if any, to give the soldiers.

IRA funeral | David White on how last week's defence contract has helped the helicopter manufacturer

Saudi Arabia plugs Westland's order gap

A SECOND rescue has come for Westland, the UK's helicopter producer, this time not from Europe or the US but from Saudi

Under Britain's new government-to-government arms supply agreement with Riyadh, West-land is expected to obtain more than 80 orders, helping to fill a gap that was raising the what-to-do-about-Westland issue once The deal might include the

launch order for its US-licensed Black Hawk, the helicopter West-land has been counting on to keep the wolves at bay until the British services come back with new-model purchases. But questions about the company's future in an overcrowded European helicopter industry still remain.

One of the possible scenarios was returned unopened to the

was discussing disposal of its That scenario, as it might at one stage have been imagined, would have involved Fiat in a reprivatisation of the Italian manufacturer Agusta, Westland's closest European collaborator,

shelf when Fiat of Italy

announced this month that it

and then a merger of the two belicopter companies. side United Technologies (UTC) comes into its own. The project is of the US, the parent of Sikorsky, more than a year behind schedlicensor to Westland for 40 years. ule Full production is not expec-

EHIOI Aerospatiale (France) MBB (West Germany) or a British partner. UTC has the

option but is not expected to vant to raise its stake. Fiat's decision that its stake no longer has any strategic value underscores a self-evident fact-two years on from the political crisis over Westland and the issue of its European or US allegiance, which brought the resignations of Mr Michael Heseltine and Mr Leon Brittan from the Government, the industry is still where it was.

In a sector suffering worldwide overcapacity, the EC has four leading manufacturers (Westland, Agusta, France's Aerospa-tiale and West Germany's Mes-serschmitt-Bolkow-Blohm), as many as the US (Sikorsky, Bell, Boeing Vertol and McDonnell Douglas Helicopter Company). All four Europeans are going through a trough in orders.

For Westland, the trough in its mainstream UK defence business laterated the EU/O Instead, a new "friendly" part-ner will be sought by the end of this year to take its place along-devaloped jointly with Agusta,

While anxious not to exaggerate the aircraft's "normal" teeth-ing troubles, the Ministry of Defence, having earmarked an initial £1.50n to include the first batch of 50 units for the Navy, is holding back production funds until it is satisfied that develop-

ment is complete.
Until then, Westland's prospective workload is based on remaining supplies of Lynxes and Sea Kings, updates, and export hopes. Those involve Lynxes for South Korea and elsewhere, but particu-larly the Sikorsky-designed Black larly the Sikorsky-designed Black Hawk. That licence was part of the Westland reconstruction plan, designed to fill a gap in the product range. Westland's ver-sion exists only in prototype. The company has been selling it hard in the Middle East, but until now there were only signals of orders.
Westland is pleading for firm
UK military commitments for the
EH101, so that it can confidently accept orders for the civil side of

idea, but experts are dubious. Further on Westland will miss out on the NH90 navy and troop transport helicopter planned by France, West Germany, Italy and the Netherlands.

The Government dropped out of the project, seeing no requirement for an 8-to-9-tonne aircraft of this kind next to the larger EH101. It would carry too few men for the British Army's style
of operation, officials say.
Military helicopters are a cyclical husiness, ordered in batches,
with replacement rarely urgent.

Robust, not suffering fatigue as do high-performance jets, they have lives that can easily be stretched.

European companies awaken-ing to the overcapacity led to an Another Westland-Agusta venture, this time with Fokker of the
Netherlands and Casa of Spain
on board, the LAH, a light attack
helicopter for the army, based on

figure commented.

Agusta's A-129, is still in its feesihility and cost-definition phase.

The Dutch want to merge it
with the Franco-German PAH-2,
a three-helicopter project with
two anti-tank versions and a
French anti-air version. The six
copter joint programme, is up
nations are expected to produce
demand for this class of helicopter of between 600 and 700 units.
Britain is studying the linkage
likes, but experts are dubious.

Westland will miss
offices where de Gaulle had his offices where de Gaulle had his wartime beadquarters, the French have not been forgiven

Westland, trying to build up the 40 per cent of its business that is outside belicopters, is in a relatively vulnerable position as a publicly quoted company: all its European and US counterparts are controlled by governments or his corporations.

UK defence planners are not entirely indifferent to Westland's fate. They see helicopters as reaf-firming their role in the battle-field, and want to keep at least an indigenous support capability. Hopes for compensation on the That means maintaining a design civil side collapsed with oil prices capacity, to be able to make and have not bounced back. changes. However, the MoD's "Nobody makes money on civil helicopters," one senior industry helicopters," one senior industry helicopters, one senior industry for gap, it has already made order gap. It has already made clear that the company will have to rely on its exports to tide it

One official said: "Ministers are not prepared to keep ordering helicopters like drunken sailors to keep Westland going."

ITN studies

cable news

link venture

Mr Paul Matthews, ITN deputy

chief executive, has discussed the idea with Mr Turner at his US

headquarters in Atlanta and is

now engaged on a feasibility

CNN, the world's first 24

The aim would be to try to put

together the strengths of hoth CNN and ITN to create an inter-

hours-a-day news channel, is already available in Europe on cable networks and in hotels. Its

By Raymond Snoddy

Talks today on broadcasting white paper

MINISTERS FROM three government departments are to meet in Berkshire today to try to agree ontlines of what should be included in a planned white paper on hroadcasting's future. They are from the Home Office, Department of Trade and Industry and the Treasury. Their seminar aims to clear

ground so that decisions can be taken by a Cabinet committee, before the parliamentary recess, to allow drafting of the document to begin. The committee is chaired by Mrs Margaret

Thatcher.

A long agenda is faced by Mr
Douglas Hurd, Home Secretary,
Lord Young, Trade and Industry
Secretary, and Mr Norman
Lamont, Chief Secretary to the
Treasury, and top officials.
It ranges from microwave telestriction to the funding of publicvision to the funding of public-service broadcasting and reactions to the suggestion that BBC 2 and Channel 4 should transfer to satellite distribution.

sions already made, including:



Douglas Hurd: Growing

 A form of competitive tender-ing for ITV franchises next time round. • The creation of a fifth national television channel, prob-ably financed by advertising, o satellite distribution.

Ministers will also review deciand subscription has not been

• A new national night-tima satellite or normal transmitters.

A new element has been introduced to the two years of talks on seeu as provisional ones that must be ratified when all the pleces of a complex jigsaw are Competitive tendering for ITV
franchises is again very much on last month to the Comingsby the political agenda, after a Cinb, a Tory dining club, was all

period of doubt. It is suggested that Mr Hurd has moved away from the idea of trying to impose detailed programme obligations on ITV companies in the much more competitive environment of the 1990s. But obligations to pro-vide news and regional pro-grammes are likely to be kept.

There is also growing doubt whether the independent Broad-casting Authority will survive in its present form, but no decision

nas been taken. The doubts were reinforced last week when the Commons Home Affairs Committee said the IBA should be replaced by a body regulating all commercial televi-

sion, whether delivered by cable,

The decisions taken so far are creation of a hroadcasting frame work. It is the growing radicalisa-tion of Mr Hurd. His views are work it is the growing radicalisa-tion of Mr Hurd. His views are closer to Lord Young's than in the past.

The Home Secretary's speech last month to the Coningsby

INDEPENDENT Television News is considering a joint venture with Mr Ted Turner's Cahle News Network to create a truly European satellite news channel.

Club, a Tory dining club, was all his own work. Its content surprised some of his officials. In it he questioned everything from the BBC licence fee's immortality to the IBA's role towards taking final decisions on hroadcasting, it is increasingly clear that the Peacock Report on

the future financing of broadcast- output is American oriented. ing has been the main blueprint. When it was published two years ago it was seen hy many as

impractical. However, even Peacock ideas such as the need for a so-called arts council of the air, to fund high-quality programmes, and a national fibre optic grid, to national channel which would be carry all forms of communica. November, is powerful enough to tions, are being looked at again. well as feed cable networks **Housing land**

No decision has been taken and ITN is also talking to Mr Rnpert Murdoch's Sky Television, which is also planning to launch a European news channel

on Astra. CNN and Sky News will almost certainly be competitors so ITN will have to choose between them if it wants to increase its involve-ment in the European satellite television busines

International Leisure acquires Connectair

INTERNATIONAL Leisure Gronp, which includes Air Europe, has acquired Connectair, a small commuter airline. Finanthat changed to residential was cial details are not disclosed. Spricultural and 48 per cent was Connectair flies scheduled services from Gatwick and Manchester to Antwerp, Dusseldorf and

south-west and East Angha — an regions where there is considerable demand for new housing— the proportions of residential land that were previously agricultural varied between 56 and 63

Manager training drive seeks support

MORE THAN 500 companies and code of practice. managers and educationalists. The initiative is a response to be invited to become founder two reports last year that called members of the initiative, compa-

members of a movement aimed at improving the training and development of UK managers. Mr John Banham, director gen-eral of the Confederation of British Industry, and Mr Bob Reid, chairman of Shell UK, will this week begin writing to the poten-tial members asking them to sub-scribe to a code of practice on management development. Several provisions in an earlier, draft code have been omitted from the final version, including

a commitment by companies to provide their managers with at east 10 days' training a year. Plans for the movement to be called the Management Charter Initiative, have been drawn up by the Council for Management Edu-cation and Development, which is chaired by Mr Reid. Mr Ban-ham is chairman of the working party responsible for drafting the

two reports last year that called for a dramatic improvement in the quality and quantity of UK management development.

Founder members of the initiative will be asked to make contributions of up to £10,000 to the organisation. The letter to combe able to contribute as much. The letter says that Lord Young, Trade and Industry Secretary, has promised £2.5m over five years to the initiative, pro-vided that the money is matched

by corporate contributions. Members of the initiative will be consulted on plans to establish a national management qualification and to set up a permanent body to administer it.

Proposals to establish a qualification of chartered manager have been heavily criticised by senior

nies will be able to influence the outcome of the dehate The code of practice, copies of

which are being sent out with the letter, calls for companies to improve management skills throughout their organisations, panies acknowledges, however, to review progress annually and that smaller concerns and public-sector organisations will not and for individuals. Both the review and the targets should be publicised, the code says. Apart from the commitment to

> ager, a proposal that managers should be rewarded for the contribution they make to the development of their subordinates has also been omitted from the code. Mr John Wybrew, executives director of the working party that drew up the code, said, bowever, that it could be strengthened if members of the initiative thought necessary.

10 days of training for each man-

variations shown By Hazel Duffy MORE THAN half the land in England allocated for residential

use last year came from acreage previously classified as rural.

The latest survey of land use change, published by the Environment Department, shows con siderable regional variations in the proportions of land that changed from agricultural to resi-dential use. In the sonth-east, excluding

Greater London, 39 per cent of the total 2,145 hectares of land built-up or vacant land classified as "urban." In the East Midlands, the south-west and East Anglia — all

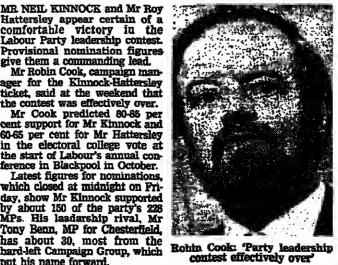
Kinnock camp predicts victory

Hattersley appear certain of a comfortable victory in the Labour Party leadership contest. Provisional nomination figures give them a commanding lead. Mr Robin Cook, campaign manager for the Kinnock-Hattersley ticket, said at the weekend that the contest was effectively over.

Mr Cook predicted 80-85 per cent support for Mr Kinnock and 60-65 per cent for Mr Hattersley in the electoral college vote at the start of Labour's annual con-ference in Blackpool in October. Latest figures for nominations, which closed at midnight on Friday, show Mr Kinnock supported by about 150 of the party's 228 MPs. His laadarship rival, Mr Tony Benn, MP for Chesterfield, has about 30, most from the hard-left Campaign Group, which put his name forward.

Mr Hattersley who is facing a twin challenge for the deputy leadership, has been uominated by 108 MPs, well ahead of Mr John Prescott, Labour's energy spokesman, who is backed by 35 MPs, and Mr Eric Heffer, cam-paigning on a joint ticket with Mr Benn, with about 30.

Among trade unions, which



Kinnock camp claims overwhelm-

ing support.
Mr Prescott, who had heen thought likely to pose the more effective challenge to Mr Hattersley, has rallied his sponsoring union, the National Union of Sea-

Mr Benn.

of the present leadership last week by the National Union of Railwaymen was seen among Mr Kinnock's supporters as a turn-ing point in union support for Mr Prescott. The NUR had been expected to support Mr Prescott, and had it done so, could have prompted other left-of-centre unions to follow suit.

Among constituencies, which, like the parliamentary Labour Party, make up 30 per cent of the electoral college, the position is less clear-cut. About a third of the 630-odd constituency parties have returned nominations, with Mr Kinnock supported by 110 and Mr Benn 100. Mr Hattersley has only 50 nominations, compared with about 70 each for Mr Heffer and Mr Prescott. The Kinnock camp claimed yesterday that the leadarship

contest enectively over challenges had peaked. They command 40 per cent of the vote in Labour's electoral college, the to appear complacent, Mr Kinnock and Mr Hattersley would now concentrate on outlining the party's future direction as laid

Mr Benn, with about 30.

Trade unions and constituency parties can submit supporting hominations but under party rules only those from MPs are fulls only those from MPs are full set that game and allied trades. The full set that game are full set that game and all this only the full set that game are full set that game and all this only the full set that game are full set that game and all the full set that game are full s well as their own personal ambi-The comfortable endorsement tions."

INDEX-LINKED SAVINGS

NOTICE OF FINAL SUPPLEMENT

If you have Retirement Issue or 2nd Indexed-Linked Issue Savings Certificates and you keep them until 1 August 1989 you will receive one final supplement of 1.5%.

The 1.5% supplement is on top of inflation-proofing and all supplements earned since 1983. And you earn 4% bonuses at the 5th and 10th anniversaries of purchase. All tax-free.

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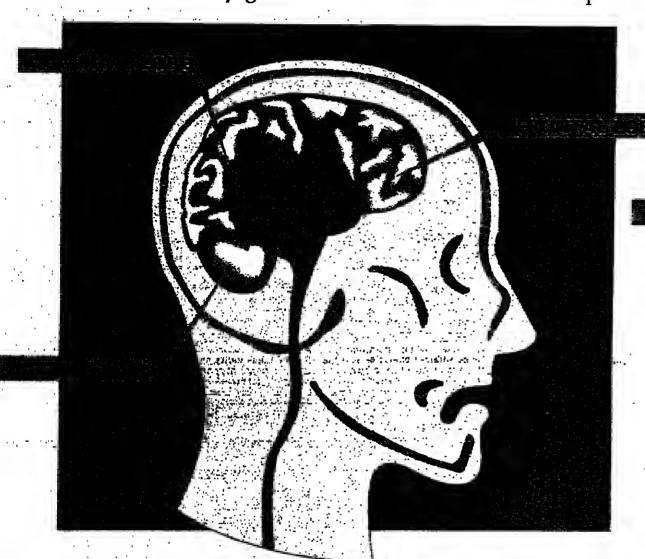
Executives can now improve their creativity by 24%.

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It can easily get frustrated with conventional computers

previous five years, with unimpressive consequences. Let loose on Macintosh all changed.

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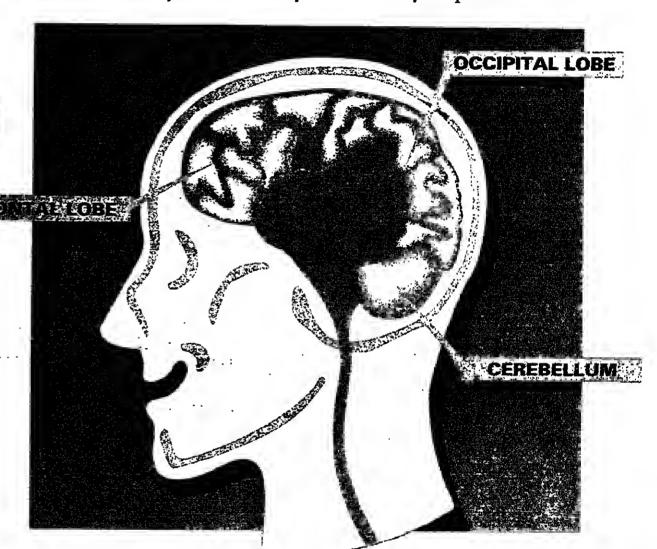
The conventional PC brain.

and lose heart. Often losing an opportunity in the process.

Whereas the Apple Macintosh encourages creative juices to flow and can lead to winning a contract with a more imaginative presentation. Or creating a sales report that graphically knocks the socks off anybody else's.

The 24% above wasn't plucked out of thin air, incidentally. It's based on an in-depth study by the accountants KPMG Peat Marwick.

Participating companies reported a gain equal to an extra week per month in increased productivity from employees using Macintosh. It was also noted that managers with access to IBM° or other MS-DOS™ computers had reluctantly used them in the



The Macintosh brain.

And because they actually began to enjoy their work, they used more software.

As a consequence they were able to extend themselves to their full potential. The reason is simple. From day one they were looking at a screen that could be intuitively understood.

It resembled their desk top with files, pieces of paper and even a wastepaper basket at the side.

This familiarity bred improved sales documents and analyses, spreadsheets and technical drawings such as those above created on the Macintosh II.

It was one executive decision they'll never regret.

Apple. The power to succeed.

Maria Kielmas on the future of a Spanish electricity utility

Sevillana generates ideas for the 90s

MR EMILIO ZURUTUZA, manag-ing director of Sevillana de Elec-tricidad, Andalucia's regional electricity utility, sits in an office with a wonderful view. Rising above the orange and palm trees of the Maria Luisa park are the towers of the Plaza de Espana, constructed for Seville's Iberoamerican exhibition of 1929. As it was followed by the Wall Street crash, recession and war, the exhibition turned out to be a

disaster.

Seville is gearing up for the 1992 World Fair, Expo 92, which will celebrate the 500th anniversary of the discovery of America.
Politicians hope this project will attract much-needed investment and industry into Andalucia. For Sevillana, the region's biggest employer, it would mean more customers and more profit.

But no self-respecting Andalucian believes in what politicians tell him, especially, as in the case of the present Spanish Govern-ment, they happen to be of the locally-grown variety. Andalucia could wake up in 1993 with a big headache, some new roads, an improved airport, and not necessarily much else.

Similar uncertainty in the mid-1990s faces Spain's indebted electricity utilities, the current

turn of good fortune of which has prompted a huge wave of mutual back-slapping.

Sevillana, established in 1894, is the oldest of Spain's electricity utilities. It grew through absorbers and a second of the companion of the com ing small generating companies in Andalucia which sold power to sugar beet refineries. These in turn had been established at the beginning of the century to compensate for Spain's loss of cheap sugar after Cuban independence.

Spain's oldest hydro plant, now out of service, is at El Chorro, not in the period of the perio north of Malaga, next to a modern pumped water plant. A pathway built into the cliffs around it as a viewing platform for King Alfonso XIII, grandfather of the present King Juan Carlos, is a good place for eagle-watching for those who do not suffer from ver-

Spain's electricity utilities cumulatively account for 15 per cent of both market capitalisa-tion and trading on the Spanish stock exchanges. With dividend yields averaging 7 per cent, they are regarded as a safe haven for the cautious investor, says Mr Estanislao de Aranzadi of Madrid

The Los Barrios coal-fired plant near Algeciras as a whole with a total debt of tries have dubbed it the future Pts4,200bn (\$34bn). "California of Europe," has a lot Pia4 200hn (\$34hn). "California of Europe," has a lot The turnaround from Nemesis of catching up to do and is growto self-congratulation came about ing faster than the rest of Spain. as a result of a new tariff calculation called marco estable y legal. in an area still wedded to its feu-Explained in a one inch volume dal past and singularly lacking in of iterative formulae, tariffs are entrepreneurs – few Seville busiworked out on the costs of power nessmen have shown much inter-

generation, debt amortisation, capital investment, fuel, obliga-tions to state utilities, inflation, an equitable return and so on. There was no provision for these under the earlier nationally standardised and ridiculously low tariff system. The new deal meant that the combined 1987 Europe, with the looming spectre of cheap French power imports. At present, the private sector profits of the sector were up 36 per cent on 1986, and allowed companies to begin to restructure from the state-owned Empresa Nacional de Electricidad

ing power to Gibraltar, although

Savillana has total debt of (Endesa). Ptatoohn, compared with a market capitalisation of Ptatohn, but about 14 per cent of the Spanish is regarded by analysts as one of market, purchases some 14 per cent of Endesa's output, equivalent of effects for debt refinance. cent of Endesa's output, equiva-lent to around 25 per cent of its needs. The high-voltage national grid is controlled by state sector Red Electrica de Espana (Redesa), which holds the monop-oly on electricity exports. Sevillama is interested in sell-ing nower to Cibraltar although flood of offers for debt refinanc-

Power demand in Sevillana's territory, which covers Andalucia and southern Extremadura, is growing by more than 7 per cent a year, double the national aver-

fired plant at Los Barrios, outside Algeciras and conveniently next door to an excellent restaurant. But if the political status of Gibraltar remains unchanged, such power exports would be Redesa's preserve, even though Sevillans has the most efficient generating plant in Spain.

Similarly, a proposed 17 to 37 km and 300MW-550MW subsea link to Morocco, costing up to Ptaz3bn and expected to be on line by 1991, would be a Redesa undartaking. Analysts say that the project will involve French power exports, via the Redesa grid through Spain, the costs of which would be covered in the first instance by France. Gibraltar remains unchanged,

first instance by France. But the real black mark on the horizon is the future of nuclear power plants. Sevilians holds

nterests in two nuclear plants located in southern Extremadura; a 36 per cent stake in Almaraz which is online, and a half-share in the 60 per cent completed Val-decaballeros, on which work was suspended in 1965 because of a government moratorium on nuclear projects.

The future of this, and two

other closed nuclear projects. Lemoniz and Trillo, is expected to be decided with the publication of the Government's new national energy plan next year.

If the Valdecaballeros project is

terminated completely, Mr Znrutuze says Sevillana will recoup its investment in it through the marco estable. The company cal-Uncertain, too, is the future of the network of relationships between the public and private sector utilities in a new part of the nuclear plant is halted, it can install more coal first and its angle of the nuclear plant is halted, it can install more coal first and its angle of the nuclear plant is halted, it can install more coal first and its angle of the nuclear plant is halted, it can install more coal first and its angle of the nuclear plant is halted, it can install more coal first and its angle of the nuclear plant is halted.

mits at Los Barrios.
It also hopes the efficient deep water port there could be used as an entry for coal imports, not regional utilities have to pur-chase a proportion of their power pean countries. pean countries.

Mr Zurutuza estimates that
Sevillana will be abla to clear its

debt within less than the 26-year lifetime of its existing plant. But even if the Government gives the go-shead to Valdecaballeros next year, Mr Ignacio Gomez of Mad-rid brokers F & G Inversiones Bursatiles thinks the company will only be able to finance new investment through selling its share of this plant.

Conscious that in a unified European market Spanish utili-ties could easily be swallowed up by foreign predators, the industry is engaging in a lot of secret political manoenvring in an

remains bullish about Sevillana's

SPANISH INDUSTRY

Company Notices

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OF CANADA

\$ U.S. 100.000.000

FLOATING RATE NOTES

DUE APRIL 1995

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Notice is hereby given that the twenty-third annual general meeting of members of Charter Consolidated P.L.C. will be held in the Caston suits at the London International Press Centre, 76 Shoe Lane, London ECIA 318 (New Street Square entrence), on Tuesday 2 August 1988 at 12 noon for the following purposes:

1. To receive and consider the accounts and the report of the directors for the year to 31 March 1988.

2. To declare a final dividend.

3. To respond as directors Mr D E Cook, Sir Robert Hunt who has attained the age of 70 years, and Mr A E Oppenhelmer.

4. To reappoint contents.

pers & Lybrand as auditors and authorise the board to fit

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unt of dollars shall be the not proceeds of the sale by the Fund of the Won amount to exchange bank in the Republic of Koree at its "spot" rate on July 17, 1988. The amount of dollars shall be the net proceeds of the sale by the Fund of the won amount to a foreign exchange bank in the Republic of Korea at its "spot" rate on July 11, 1985. The proceeds of the occupant presented after July 11, 1985, will be converted into US dollars at the prevailing apot rate of the day following their presentation, and will be distributed to the Unitholders in proportion to their respective entitlements and after deduction of all taxes and charges of the Depositary.

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The Financial Times proposes to publish this survey on: 6th September 1988

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ANTHONY HARRIS in Washington

THE MAY TRADE figures, due out within the week, are quite likely to look awful; and if they don't, then prepare for a similar shock in June. All the same, these had figures would be perfectly consistent with a trend that would eliminate the US trade deficit within three years, and possibly a good deal faster.

Figures calculated to deceive

This will happen, if it happens, because US manufacturing is now reviving — one of the few undisputed facts about the economy. However, it does not appear to be building on a strong base, despite all the official pronouncements which sug-gest that manufacturing has been doing quite well in the 1980s; it is recovering from a slump which depressed output probably by 10 per cent, and possibly by twice as much. Its productivity record, until quite recently, also seems to have been pretty poor by international stan-

But can this revival last? The received market wisdom is that we are now getting dangerously near the limits of available labour and

the limits of available labour and capacity, but there are figures which suggest this is another myth. All the above may look like comments on the US economy; they are simply comments on the quality of the information available about the economy, or on the interpretation which market analysts tend to put even on the accurate figures. Anybody who reads to the end of this column, which deals in passing with

one or two tricky points, should be a little less willing to stampede with the herd, and thus enjoy at least a sporting chance of getting the trends somewhere near right.

The employment figures, which sent the currency markets into a spasm only last Priday, make a good starting point, because the arguments are pretty straightforward. The markets, of course, always make their processes of the important their own forecasts of the important economic indicators, and any sharp reaction shows simply that those forecasts were wrong. This time they were expecting a rise of about 250,000 in employment, as shown by the survey of establishments—nobody takes much notice of the nobody takes much notice of the notoriously jumpy figures which come from a sample survey of households. Instead, they got a rise of 350,000, and went into mild shock. The trouble with market traders is thet they don't feel they have time to read the small print.

First, they seem to have forgotten that the May figures were oddly off trend, showing a fall in employment in a growing economy; this should have led them to expect a bounce

back. Second, they may not have noticed that more than half the rise in June was in teenage employment
– and as Dr Janet Norwood pointed
out in the official briefing, teenagers are a trap for statisticians. Some years they join the labour force in June, some years they wait until July, and nobody knows why. Given these doubts about the head-

line figures, the analysts might have looked further into the details for other evidence about labour market strain. If labour is getting short, workers are asked to make up for it by doing overtime, and the overtime figures are there in the report. They have not increased at all since the beginning of the year. The economy may be in danger of overheating in one or two regions or industries -especially in Governor Dukakis's sachusetts; but the June employment figures provide no avidence,

one way or the other. The question of the level of industrial output is a great deal more complicated, unfortunately. It has arisen because of the recent appearance of a paper by Dr Lawrence Mishel, the research director of the Economic

Policy Institute in Washington, suggesting that the official figures are grossly miskending. Since the RPI is a left-wing organisation, on the US scale, and Dr Mishel is a veteran trade union economist, he has an obvious bias; but his findings are

being treated with respect.
Dr Mishel's attack is on just one official series: the Gross Product Originating figures from the Bureau of Economic Analysis. The title is odd because the GPO numbers are in fact the one attempt to get at a true measure of sectoral output, by mea-suring value added in real terms. The series groused his suspicion

because it seems to be out of line with all the common-sense measures of industrial activity – sales figures, plant closures, increased import penetration and falling employment. All the same, it is this figure which has been used to "prove" that industrial decline is a myth.

The idea of real value added is one of those which sounds like common

sense until you try to focus on it, when it tends to shimmer, as James Thurber once put it. Value added is simply the difference between sales

value and the cost of all inputs; but how do you deflate it to get real value added? Do you use the price index for the final output, or for the inputs, or a bit of both? If some of these values are largely guesswork, how do you set about adjusting the number that comes out?

These are the questions which Dr Mishel has examined, and his conclu-sion is that the BEA's methods tend to understate the size of US industry in the past quite a lot, and overstate its recent size by rather less; the result is to rewrite history quite drastically. These distortions seem to have arisen partly because all fig-ures are referred to a relatively recent base year, 1982; rebasing always tends to produce a higher apparent growth rate, since patterns of output change over time. This means that we are asking how good the economy was in the 1960s and 1970s at producing the pattern of output of the 1980s; the answer is naturally flattering to the 1980s.

There are some other serious problems. Corporate mergers have made it harder and harder to define the

industrial sector; even car companies now run their own credit banks, for example. The measures of real output are also suspect. For example, the fastest growing sector of US out-put is in business electronics; but what is a computer? Today's personal computer is potentially as pow-erful as a mainframe of a decade ago, and tends to get counted officially as an equal contribution to real output.

A computer which will paint a picture of a parrot in 101 hues is hardly making the same contribution to GNP as a computer which schedules the output of a motor plant, but may use as many calculations. For these and other reasons, Dr Mishel thinks the official numbers conceal a steep industrial decline. If he is right, fears of overheating may also be

Finally, a few naive computations. My suggestion that we are likely to see some disappointing trade figures is not an economic forecast, but a very simple projection: the April deficit and April imports were far below that moving average and every their moving average, and every amateur chertist knows what that means. If the figures are not bad, then the trend is still improving; and with exports recently growing at an annual rate of more than 40 per cent, nobody expects a further improve-

INTERVIEW

Policeman's lot

Richard Lambert meets David Walker, new chairman of the Securities and Investments Board

MR DAVID WALKER, the new chairman of Britain's Securities and Investments Board, made his first public statement about the job last week, it did not seem to produce much clarity

The FT said that Mr Walker had dashed City hopes for a radi-cal relaxation of the new regulacar reasons to the the Times reported that he was considering sweeping changes in the rules. So what does he really have in

mind?
A bit of both, it seems. "Where I would like a U-turn is in the attitude of practioners to the SIB and the regulatory system," he says. He believes, correctly, that there is at present seep hostility in the City to the rules which have been established over the past 12 months, and "that just can't be allowed to continue."

can't be allowed to continue."
On the other hand, he is not about to push for any immediate or fundamental changes in the Financial Services Act, the legislation which established the SIB and an entirely new frame Many of the complaints which have been levelled against the new system should be discounted, be says. They have come from intermediaties who for the first time are being obliged to run their businesses according to clear and rigorous

rules.

"We are not going to cut back on that," says Mr Walker.

The area where hig changes are likely soon is in the SIB's conduct of business rules, which cover the responsibility of an agent to carry out business for clients on the best passible terms. The rule book runs to over 200 pages and Mr Walker. 200 pages, and Mr Walker brandishing the great tome in the ar and plonking it on the table

- believes that this can be cut
by more than 50 per cent. He
hopes the new regime will be
incoduced in the saily part of
next year.

"What I would like to be able to do is to begin every rule with a clear statement of the principle or objective; then to be very specific about the things that will have to be done; and then to give some guidance notes on how the phicetive much to the state. objective might typically be

achieved."
What there will not be, he states firmly, is a great deal of penny pinching detail. "We would like to make the new doomment user friendly, very much like the Takeover Code."
This approach Mr. Walker This approach, Mr Walker much flexibility and room for

out the finely detailed rules required to regulate their particu-lar sector of the investment industry in a proper fashion. "The job of the SIB is to provide a high minimum quality assur-

Mr Walker is no recent convert to the principle of City regulation by statute: indeed, his support for it was the source of his one real

PERSONAL FILE

1939: Born. Educated: Chesterfield School and Queens' College, Cambridge (economics) 1951: Joined Treasury.

1982: Appointed executive direc-tor of the Bank 1988: Chairman of SIB from June

difference of opinion with Lord Richardson, who as Governor of the Bank of England recruited him from the Treasury in 1977. But Mr Walker's views have hardened over the years. In a hardened over the years. In a speech in 1963, he emphasized the dangers of making the best the enemy of the good in matters of investor protection. London's success as a financial centre owed much to the relatively light regulatory touch that had been applied, he added. But today, he says that he had not at that time fully grasped the scale of the upheaval which was turning London into a clobal capital market lighterest which was turning Lon-don into a global capital market centre. This change had turned up by a notch or two the empha-sis that needed to be placed on

having a comprehensive statute. He still retains, however, much of the culture of the Bank of or the culture or the Bank or England. In conversation, he repeatedly brings up the analogy of what might be called a regula-tory circle, which defines the lim-its of acceptable business prac-tice. In the middle of the circle, he would like to introduce as

thinks, will lead to a big shift in manouevre as possible for the attitudes towards the SIB. "Wa "serious, responsible, proper will be seen first as the investor's operator" to go about his busifriend and protector — but in
addition as people who are ready
to listen to intermediaties in a
sympathetic way."

It is up to the SROs to work

It is up to the SROs to work

The serious, responsible, proper
operator" to go about his business in a sensible manner. But
the circumference of the circle,
the flexes and more robust the
regulator should become.

The SIB has to be readier to intervene than to stand aside if there is any ground for doubt about the protection available to investors, he says.

Fair enough. But isn't he an interventionist by nature, more inclined to look for compromises than to shake a stick? And to what extent does his appointment mean that the SIB is being brought under the wing of the Bank of England, where be remains a non-executive director and a possible future Governor?

"I don't see myself as a trim-ner," Mr Walker responds. "If I 1970-3: Seconded to International
Monetary Fund, Washington.

1973: Assistant Secretary, TreaThe important thing is not to 1977: Joined Bank of England as be interfering and intervening all Chief Adviser, then Chief of a decisive fashion when an issue reaches a certain critical point in be interfering and intervening all reaches a certain, critical point in

the regulatory circle. As for the suggestion that he is some sort of Bank of England stooge, Mr Walker finds the idea slightly offensive — which for him is rather strong language. He says he is not conscious of the shadow of the Bank, and although he plans to talk regular-ily with the Governor, this will be in the same spirit as the continuing dialogue which he has already started with all sorts of other interested parties.

"I wasn't the first choice for this job, and I wasn't a volunteer. But now I am here, and I am approaching the task with very considerable enthusiasm."

There are some difficult issues to be tackled. One of the toughest will determine the fate of inde pendent life assurance salesmen, whose existence has been threatened by a recent ruling which will force them to give full details offsetting this distribution bias in not easily persuaded by the argu-favour of the tied salesman by ment that people are about to identifying ways in which there pull up stumps and go. I think can be sensible disclosure by the there are some risks in some tied salesman's company at the areas, but we have to decide ou time he is selling a competing what is a sensible structure for product," says Mr Walker. But he ourselves."

A radical simplification of the

the enforcement side in the coming months, as the programme of place to do business. uthorising investment firms to do business under the Financial Services Act comes to a climax. Inevitably, some of the harder cases have been left to the end of

of their commission payments share two of the more commonly section 62, which allows invested 1990. Mr Walker is fully held perceptions about the Act — tors to sue investment companies hehind that decision — "all my one, that it is likely to drive busing if they suffer losses as a result of uses away from London, as firms that kind" — but he agrees that the loss rigourous climate, it will place the independents at a big disadvantage to salesmen will used to be substautially section should be done away with

how this can be achieved. conduct of business rules will, he
There will also be some difficult judgements to be made on persuading international firms that Loudon remains a good

the law.

What is a clever man like Mr

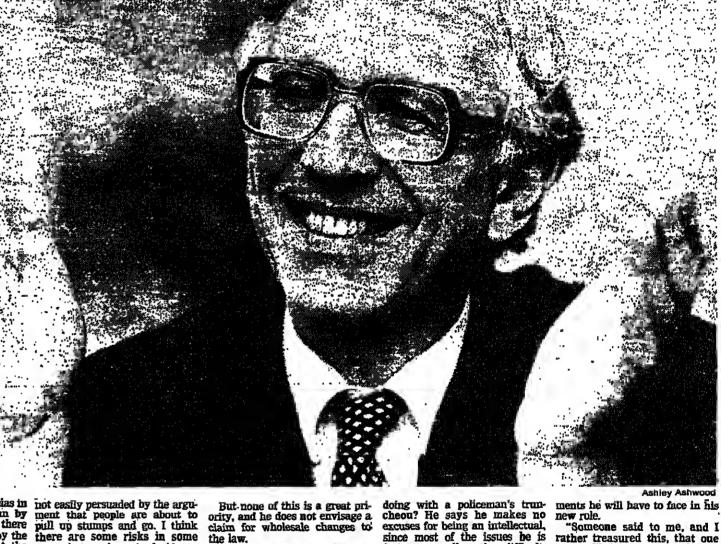
Walker, with his brilliant academic record and youthful repu-

tation as a Treasury economist,

As for changes to the Act, be would like eventually to be allowed to delegate the responsi-bility for regulating those few this process, and these will require hard decisions. with the SIB down to the rele-vant SRO. And he thinks some However, Mr Walker does not changes might be desirable in

who are tied to a particular company, and who will not under the pany, and who will not under the present rules be required to give the same level of information.

"Wa have to look for ways of financial centre," he says. "Tm section should be controlled why with make sense for it not to apply in certain cases — for instance, when professionals are dealing with each other, rather than with the public.



Someone said to me. and I since most of the issues be is facing are really rather difficult. And he hopes that his intellect may provide him with some protection against the rougher ele-through the facing are really rather difficult. The most one could hope for would be respect. Well, that's absolutely fine by me."

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Malaysia and the rule of law



THERE SUBSISTS among judges and lawyers of the Anglo-Saxon systems of the Commonwealth a special relationship. But whenever the independence of the judiclaty in a Commonwealth country is threatened by executive soverment — as in Fili last year and now in Malaysia — the normal quiescence of that relationship is instinctively aroused.

The suspension last week of five of the 10 judges of the Suprems Court of Malaysia is the cultination of a continuing battle between Dr Mahajair Mohamad, the Prime Minister, and Trin Salleh Abar, the Lord Breadent.

The hostility between the Prime Minis-

ter and the country's highest ranking judge is traceable to a decision of the Supreme Court in January 1987, when the courts quashed a decision of the Government which had ordered the deportation of the Asian Wall Street Journal's correspondent in Kuala Lumpur. The Prime Minister reacted publicly to this rebuff. For his pains be faced contempt of court proceedings initiated by the leader of the opposition party. In the course of those proceedings the trial judge made remarks unpalatable to the Prime Minister and the Court of Appeal commented on the proper function of the judiciary and its relationship with government.

Thereafter speech followed counterspace and at a launching of a book Law, Justice and the Judiciary in January this year, the Lord President is alleged to

year, the Lord Fresident is alleged to have made several statements discrediting the Government "and sought thereby in underwine public confidence in the Government's administration of Malaysia." In particular the Government was incensed at a remark in which the Lord President complained that the judiciary President complained that the judiciary had no say in the allocation of funds, not even in determining the number of staff needed for the running of its own system." The Lord President was said by the Prime Minister to be guilty of imputing that the Government ignored the important role of the Judiciary in the important role of the Judiciary in the

In March there were further clashes. A linvestigating the charges and submitting High Court judge granted habeas corpus to a distinguished advocate and MP. Mr the application was that the tribunal's Karpal Singh, from detention under the Internal Security Act. Dr Mahathir immediately appealed. The Lord President fixed the date of the appeal for June 15 before a bench of five judges, considering that the circumstances of Mr Karpal Singh's recovery and detection and the Singh's rearrest and detention and the adjournment of a second habeas corpus application called for an expedited hearing. Simultaneously there was trouble-some litigation for the Prime Minister in a court decision affecting the ruling party. That, too, was accorded priority.

Before those cases came on for hearing the Prime Minister took the extreme step of invoking a constitutional provision for dealing with recalcitrant judges. Malay-sia's King, Soltan Mahmood Iskandar, at the request of the Prime Minister, appointed a tribunal to investigate and recommend whether it was necessary that the Lord President should ha removed from office because of misconduct or any other cause rendering him unable to discharge his functions. It is that tribunal's composition that led to the suspension of the five indees.

The five had sat at very short notice to hear an application by the Lord President for an order prohibiting the tribunal from

the application was that the tribunal's composition should be a matter solely for the King and not of advice from the Cabinet or a minister. The tribunal is composed of six mem

bers, beaded by the Chief Justice of Malaya. He is joined by the Chief Justice of Borneo and two retired judges. Two outsiders to Malaysia were appointed -the Chief Justice of Sri Lanka and the Senior Judge of the Supreme Court of Singapore.
The Prime Minister, supported by the

Chief Justice and the Attorney General, was outraged at the Supreme Court's intervention, even though the five judges in adjudicating on the Lord President's application, were doing no more than according him a citizen's basic right to unimpeded access to the courts. Those opposed to Dr Mahathir are now considering contempt proceedings against him for his intemperate action in suspending the five judges.

Viewing it from other parts of the Commonwealth, judges and lawyers see an immediate solution only in the immediate withdrawal of the two judges on the tri-bunal who have come from Sri Lanka and Singapore. If they do withdraw, perhaps at least, a constitutional crisis which would engulf the judiciary of Malaysia in lasting damage might be averted.

West End cast changes

Martin Hoyle

That there is still a West End audience for theatre that is not greet the in-jokes with unaffected laughter, and even (a disgruntled rival? an abused thespian?) start a one-man ovation for the jibe at how The Sunday Times chooses

Cast changes in this near 20year saga of Cambridge friends almost mellow mood.

John Gordon Sinclair has moved from the coffee-table moved from the coffee-table academic to the Tynanesque TV presenter. He remains the affable, gangling eixth-form clown, good-natured but nowhere convincing as medie careerist, literary hatchet-wielder or suicidal smoker. Jason Carter's compulsive fornicator and professorial muddler is nearer the mark; and Patrick Barlow as the homosexual philosophy don, initially a little too old, injects an acerbic element with his prim, thin-lipped disapproval — less compassionate than his predecessor, I suspect, but all the more real for

The central character is shadowy and James Wilby does nothing to flesh him out. As if stifled by the insipidity of his films (Maurice, Handful of Dust) he remains a passive figure to whom things happen, a recipient. Of the original cast, Sarah Berger's golden RSC promise of come ney soapers.

years back has dulled. She really should get over crucial lines such musical, thrilling or farcical is as the revelation of her affair hearteningly illustrated at the Phoenix, where Simon Gray's Common Pursuit attracts the common Pursuit a enthosiastic young, the intelli-gent middle-aged, and civilised this. Paul Mooney's Martin, like-Americans. They all know what they have come to see and why, ner in the sexual stakes, is a

beautiful performance.

Ultimately nothing much happens, as opposed to being reported. The piece is like a television sit-com where the head of the family enters to applause with the cry of "Hello, darling! I'm home." Here they burst in with accounts of the latest Arts year saga of Cambridge friends in home. Here they burst in making, breaking or blowing it in Academe, publishing and media punditry to a descant of emotional entanglements, have replaced the starry professional funny men (Mayall, Sessions, Fry) with less incisive cut heads, with whom yon would performances. Mr Gray's often bilious muse is here in clubbable, almost mellow mood.

They are presumably there to see They are presumably there to see Tom Watt of EastEnders assume the title role in Larry Shue'e The Foreigner.

There are different strands in this messy, one-joke play that might he worth disentangling, but the house laughed its head off at the most obvious jokes and the production seems to have settled for the lowest common denominator. As the reticent nonentity who feigns incompre-hension of English to avoid unwelcome social contact and is forced to keep up the pretence after becoming everyone's favourite (because harmless) confidant, Mr Watt displays a smile of winningly bright manity but lacks the varied technique to make much of the comic setpieces. Best performance: Boston-reared Catherine Furshpan, a young actress of warmth, spirit and intelligence who will probably be overlooked by the unlovable fans of lovable Cock-

Exclusive Yarns/Comedy

Michael Coveney

There is a section of the television-watching community that finde Dynasty and EastEnders worthwhile. Critics write about them as if they mattered, whole newspapers are devised around their gossipy accretions. Even trashier serials like The Colbys and, worst of all, Neighbours, command huge view-

ing figures.

These addictive palliatives are now celebrated in a sharp but slight, naughty but nice, funny but faceless, little and not very large entertainment scripted by Gary Lyons and Stewart Permutt. Exclusive Yarns is a low camp

distillation of all known soapy cliches mixed with a parallel study of its male fan club whose members dress up as the televisual habituees of a Primrose Hill wool shop. Originally seen on the fringe, the play has graduated to Channel 4 and now to the West End. It is slight, tenuous and fatuous. On its own terms, and to a limited cult audience, such adjectives may be terms of endear-

The types will be identifiable. There is Susie Blake as the receptionist hoping for better things, Lesley Joseph as a grotesquely hip-swivelling Joan Collins overseer. Colette Gleeson as the wronged wife running a restaurant (called Tapioca's), and Pam Ferris, flattening all Shared Experience credentials, as the alcobolic head of a failed nanny

Their fans of the second scene meet in lan's spare room and have just recruited a married London Transport employee of confused emotional orientation ("I like wearing a dress, but I'm not gay"). The touchstone enthusiast is Barry Martin's cunningly inflected Jewish suburbanite who dresses up as a woman in order

to get away from the wife.

That wife, brilliantly doubled by Lesley Joseph, turns up in Act. Two sounding like Mirlam Karlin in Torch Song Trilogy to consola the disappointed loyalists of the soap whose bubbles have burst. Their liaisons and tantrums hold no fear for her "Nothing shakes." no fear for her. Nothing shakes me, I've done meals on wheels for

ten years." The construct becomes fleetingly interesting when the worlds of showbiz and over-identification collide. They do so in suicidal circumstances, actresse preening before deprived admirers. Ferris and Geeson are particularly good here, and Robert Howie has a chance to move his performance as the scorned Ian a notch or two above the level required by lines such as "Ever

since Malcolm joined in, our parts have become smaller." Developments on Primrose Hill are of the erisliest architectural kind, but the sacked actresses are brought back by popular demand. Dermot Hayes has designed an ingenious, beautifully painted amalgam of artisan kitsch and agency who has been dried out domestic fantasy. The songs, only more times than Esther Williams. two, are dreadful.

Jose Ferrer to make British debut

Jose Ferrer is to make his British which opens on August 3 stage debut in Ring Round the Moon by Jean Anoullh, the with music by Richard Rodney fourth and final production at the Bennett, the cast includes Mich-Chichester Festival Theatre ael Denison and Googie Withers.

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Quinlan Terry's Riverside Development by the Thames at Richmond in south-west London

Architecture/Colin Amery

Classicism down by the riverside

cuipa, I have not worked hard towns and cities? Is it a demon-enough or long enough on the stration of Mr Terry's total mas-traditional language to enable me tery of the classicism or a mishto express myself with total felicity. The fault lies with me, not that does nothing to an arrive with the ancient and a restrict that does nothing to an arrive with the ancient and a restrict that does nothing to an arrive with the ancient and a restrict that does nothing to an arrive with the ancient and a restrict that does nothing to an arrive with the ancient and a restrict that does not him to an arrive with the ancient and a restrict that does not him to a restrict the ancient arrive with the ancient and a restrict that does not him to a restrict the arrive with the ancient arrive with the ancient arrive with the ancient and a restrict that the arrive with the ancient arrive with the ancient arrive with the arrive with the ancient arrive with the ancient arrive with the arrive wit

tongue.

To build today in the classical application that is needed to acquire fluency in an almost lost

language.
These thoughts came to me as I

contemplated the new Richmond Riverside – a large development by the Thames designed in a mixture of classical styles by the villa with a belvedere tower by architect Quinlan Terry. It is a strange sensation to stand on the bridge (one of a several in strange sensation to stand on the bridge at Richmond, built in the 1770s, and look at a range of classes. sical façades built in the 1980s. There are some 23,000 or eo was another proposal for a more architects in England and there ruthless exploitation of the site. are probably only eight who but the public voted overwhelm-could build as well as this, using ingly in favour of the Terry the traditional classical forms. scheme. Richmond's riverside the traditional classical forms. scheme. Richmond's riverside This is not a reflection upon the and the marvellous Georgian and tradition but a reflection npon the appalling state of architec-tural education. Architectural schools have rejected tradition, practically stopped teaching his-tory, and in the past 40 years or so have taught only the dogmas

of the Modern Movement. to go to Richmond and contemporate for 135 cars. On the long river plate Mr Terry and Haslemere frontage there is a handsome gar-Estates' achievement hy the den with steps, ramps and Thames, it will prompt many thoughts about the state of the art of architecture. Is the whole art of architecture. Is the whole art of architecture. Is the whole are of architecture. thing a dreadful sham - merely a set of old clothes draped around designer of small country houses some modern offices and shops? and garden ornaments. His Or are the care, sense of propor- recent Howard Building for for Richmond Palace: stuccoed

I wanted to write this review in tion and the humane scale show-Latin. It ought to have been per-fectly possible hut, mea maxima to huld harmoniously in our

traditional language? Richmond Riverside is a large To build today in the classical development. It is immediately to language of architecture the north and west of Richmond demands the sort of training and Bridge, bounded by Bridge Street. Hill Street, Water Lane and the towpath on the Thames. The site covers 3% acres, and had for a long period been the subject of planning debates. The old Victo-rian Town Hall, Heron House dating from 1716, and the Italianate

Back in the early 1980's there early 19th century houses on The Green and in the town demanded sympathetic neighbours, Quinian Terry has responded to this as well as to the demanding com-mercial brief, providing more than 100,000 square feet of offices, more than 10,000 square feet of It is very important for anyone shops, some (but not enough) who is interested in architecture flats and basement car parking shops, some (but not enough)

been considered mainly as a designer of small country houses

canon. I think he is wrong not to see any virtue in modern archi-tecture, but accept that he must therefore be judged on purely classical criteria. The Classical Orders must control the whole of any real Classical scheme. At Richmond we have only Classical façades. "But," I hear perceptive readers say, what about Nash and what ebout the scenographic tradition of English Picturesque Classicism? Richmond certainly fits into that, but it does not have the subtlety of Portmeirion or the

grace of Nash. Mr Terry has really designed at least ten different buildings here. He has broken up the speculative office blocks and made them read as houses, even as small mer-chant pelaces, and used stylistic variety to define separateness. Classical sources are as various as Chambers, Palladio, Baroque Rome, Greek Revival and even

Venetian Gothic The Venetian Gothic façade on Bridge Street sits on extraordinary debased Corinthian columns and further on, as the shopping colonnade goes along the length of Hill Street, on large baseless Doric columns that vary in height with the gradient. The largest office huilding in the scheme is called The Castle, replacing the rather innocent and charming William IV Castle Hotel. The long range of offices is modelled on the Chambers design

Downing College, Cambridge, is a with a pedimanted Corinthian rather strange and muddled Man-nerist exercise. The planned entrance on the ground level rather strange and muddled Mannerist exercise. The planned rabuilding of the Roman Catholic cathedral at Brentwood may well turn out to be his most interesting work.

With his largest urban development at Richmond he has been very catholic within the classical commodate air conditioning and plant and has ingeniously

and plant and has ingeniously inserted grilles in cupolas and eaves, but the pitch and scale is often just wrong. I feel that if about the Classical system: "to the average man it is dry bones but under the hand of a Wren it glows and stiff materials become as plastic clay . It is a game that never deceives . It means hard thought all through — if it is laboured it falls."

is laboured it fails."

Has Quinlan Terry yet learned how difficult it is? I feel his Richmond scheme gives great pleasure because it is thoughtful, rich

Now there is a James Taylor and amusing, giving a lavish who puts on one of the most coating to a conglomerate of relaxed, musical and gently shops and office. But on my visit humorous shows around. You I never felt a single moment of can tell it is the James Taylor aesthetic excitement. In fact I beause he wears the same baggy found the architecture of the minor early 19th century cottages the hairlest bass player in the and pubs around this scheme world. Leland Skar, still in the and pure around this scheme more rewarding, probably because inside those cottages I know there will be lovingly detailed arches, fireplaces, cornices and Classical plans. If at meeting the property of the nices and Classical plans. If at appeal, has almost completely disappeared, but so has the long series of florescent open offices, then the inadequacy of beat, and instantly if not deeply the development is revealed.
Undeniably this is a very pleasing place to be. It is full of old fashioned charm — and charm, as we know can be false as well as a genuine reflection of character.

beat, and instantly if not deeply appealing, and trendily global in its influences.

Taylor now actually gets the girl in his new songs like "Sweet potato pie," and so he should. I know he has had plenty of practice.

Lohengrin/Covent Garden

Richard Fairman

The swan in this revival of Lob- control and generates a lot of draengrin is running a fully-booked matic excitement from what is passenger service at the moment, generally regarded as a passive

passenger service at the moment, as singers of the title-role have come and gone with remarkable rapidity since Placido Domingo announced that he would not be turning up to give us his first Wagner role in London.

By this, the penultimate performance of the run on Saturday night, there had been changes in several of the other principal roles as well. More by luck than judgement the Royal Opera found that it had succeeded in bringing together a cast that was exclusively German in origin, and the virtue of that shone through handsomely in some strong and Wagner's text forcefully across the footlights.

The young soprano Mechthild Gesendorf started this season by

the footlights.

The young soprano Mechthild Gessendorf started this season by coming to the rescue of the Royal Opera's Tannhouser and she has now ended it by doing the same favour for its Lohengrin. Ideally one might like the virtuous Elsa to be some with a more relayed. to be sung with a more relaxed purity than Gessendorf can pro-vide; but shes uses her bright and tense voice with immense

Welker, tough singers both, who aroused a visceral force from their scene together in the second act despite the prosaic accompaniment in the pit from Jeffrey Tate. It bodes well for Wagner over the next couple of decades that there is a new gen-eration of German singers like these with the sheer vocal power and stamina to keep the operas alive.

James Taylor/Albert Hall

Antony Thorncroft

one time there was none more oddball than James Taylor, who in his brief public appearances between heroin addiction and trips inside mental asylums used to sing plaintively about travel-

There is a myth that pop stars even so he is comfortably amus Classicism is to revive itself are invariably found dead in anothers have to realise how difficult it is. As Lutyens wrote about the Classical system: "to beautifully (thanks to the average man it is dry bones the average man it is dry bones and the classical system: "to the truth is that they age introducing songs from the past the average man it is dry bones money), even the oddballs. At him, like the soupy "You've got a song truth that might otherwise embarrass money, even the oddballs. At him, like the soupy "You've got a song truth that might otherwise embarrass money). friend", as "my heavy metsl

number. In fact the whole evening is a pleasant eurprise. Taylor has always been good at annexing the best songs of others, so "Handyman" and "Up on the roof" were welcome encounters with old friends. He even gets his friendly band, padded out with two backing singers, to twist at

one point It is the blend of the old and the new which creates a warm, satisfying feel - the simple minisatisfying feel — the simple minimalist melodice of the early 1970s, like "Fire and Rain," then the calypso-ish numbers of a few years later like "Lighthouse" and "Joshua gone Barbados," up to the, "gosh, we've snrvived" anthems of today, like "Never die young." They are helped by Taylor's true and musical voice.

lor's true and musical voice.
So when at the end he sings, alone, "Sweet baby James" you forget the nerve rending tension which accompanied the song in 1970 and see a comfortable, sucgril in his new songs like "Sweet cessful man performing his party potato pie," and so he should. I piece with detached nostaleta, know he has had plenty of practice in developing a stage act, but euphoria.

Weighing the Heart/Sadler's Wells

Clement Crisp

sustain our interest

as they tackle ideas

that are sometimes

incomprehensible

ble incidents.

As part of the Almeida Festival, Second Stride ended last week in what they are doing during Rosebery Avenue with three per-arcane and often incomprehensiformances of Weighing the Heart. This is the exercise in pinning the tail on the religious donkey

 more by luck than indgment
 which I reviewed from last
year's Brighton Festival. I was
less than enchanted then; renewed acquaintance snggests that the piece is more slick in presentation, but no less slick in orcing relationships between a variety of myths and sacred texts where none actually exists.

I am not sure whether, in fact, the piece merits consideration under a dance heading. The com-pany numbers some fine dancers in its roster – Philippe Girao-deau, Michael Popper, Sally Owen – but Ian Spink's choreogaphy makes few demands upon them other than in matter of displays of temperament. The interest resides more in production ideas, and the power of the per-

formers to sustain our belief in ing sequence, when Tamino and what they are doing during Pamina are shown as wedding and funerary icons, pinned with paper money and flowers, sur-rounded by a small harvest festi-val of produce, did I feel that There are two and a half pages of programme notes and information to explain and justify what frisson of theatrical life which transforms the pedestrian into

the mythic. The second half of the evening, wherein Mohammed, Hecate, St Antony and Simone Weil (among The performers must others) are involved in little mime scenes, leaves no doubt as to what is going on, but no compensations of dramatic flatr. It is all to clear how these characters are being put through their dull little paces, and all to obvious that the production is not able to illuminate their identities for us.

There is, throughout the evenwe see, but nothing is made clear on stage in the first part of the ing, an accompaniment - excessively and headachingly loud evening, which conflates narrafrom the band "Man Jumping. tive from The Magic Flate with elements from the story of Tohias Of the torments variously suf-fered by Mr Spink's characters. and the Angel. Only in the closthis is surely the worst.

ning impression. The playing is immensely refined but never precious, very powerfully projected ou occasion but always lovingly detailed. It is a quartet of streamlined technical projection which ale projection cal perfection which also retoices in the opportunity for musicianly little touches of rubato and portamento. Its collective sound is clear, fresh and slightly sparkling tone is never forced, never harsh - indeed the Carming is able to produce a sweetness of

tone that is wonderfully uncloy-All these virtues were apparent

Carmina Quartet/Wigmore Hall

Paul Driver

This young ensemble, founded in their first item. Haydn'e fascaonly in 1984, and trained by some nating Quartet in B minor, op. 33 of the illustrious practioners of no. 1, and more besides - particu-the quartet-player's art (Sandor larly the way in which the inner Vegh, the Amadeus members), is parts were subtly coloured and already one of the best string made responsive to the faintest quartets you could hope to hear, musical pressure. The perfor-On Saturday it gave the first of two Wigmore recitals (the second next Saturday) and made a stun-

The next programme from this young ensemble is sure to be one that should not be missed

mance conveyed a sense of alert (Haydnesque) intelligence and an ear for fine-spun texture. The Presto finale was done with the liveliest virtuosity.

Tought nearthreak to perfection and reminded one of Joubert's remark that "pure griefs are equivalent to joy." The finale had an almost terrifying tonal intensity at climaxes. Next week's programme of Haydin (op. 76 no.1), the liveliest virtuosity.

with a splendidly achieved scrubhing crescendo and continued with a main tune strongly sung on its first appearance but exqui-sitely feathered on its second. The players commanded the widest dynamic range and had the full measure of this extraor.

dinarily compressed yet burgeon-ing plece of music.

Schnbert's Death and the ual virtuosity and finesse. The famous Andante con moto brought hearthreak to perfection

liveliest virtuosity.

Schubert's Quartettsatz began should not be missed.

Moiden received an altogether magnificent account. The Allegro first movement was detailed and dramatic in equal proportions: exhibitatingly driven but memo-rable for its instances of individ-

Bartok (no. 2) and Mozart (K. 387)

Saleroom/Antony Thorncroft Turner set to exceed £6m

There is no doubt about the work. It was exhibited at the event of the week. On Friday Royal Academy in 1780 and carchistics will offer one of that most important paintings hy Turner which is still in private view in Dedham Vale, one of his top of the control of the work. It was exhibited at the Royal Academy in 1780 and carchistics will offer one of the control of the work. It was exhibited at the Royal Academy in 1780 and carchistics will offer one of the most important paintings by the control of the work. It was exhibited at the Royal Academy in 1780 and carchistics will offer one of the most important paintings by the control of the work. It was exhibited at the Royal Academy in 1780 and carchistics will offer one of the most important paintings by the control of the con

event of the weea.

Christie's will offer one of tha most important paintings hy Turner which is still in private view in Dedham Vale, one of his favourite subjects, is on offer villa," and was painted in 1839, with a top forecast of £150,000. It has appeared at auction twice before, fetching 60 guineas contemporary Italy, and his fan-tasy is given full reign in this golden landscape.

Sotheby's will hold its major

Constable's son Lionel was dispersed, and 9,000 guineas in

Sotheby's has some good Egypgreatest collector of his day, and tian pieces in its antiquities sale today, including a green glazed father, Anthony, acquired it in 1929. It is expected to sell for more than structed to sell for more than the rives of Isis, which dates from around 600 BC, and could make 40,000. There is also a fine alone possessing many hundred, so there should be no restraints 720 BC, which might make

On Wednesday Christie's will, hold its major summer sale of Decorative Arts from 1880 to the Laurent Agasse of two leopards including a great deal of playing should top film. Agasse was a frequent visitor to Polito's Menagerie in the Strand and before 1880 for the Palace of Wastenington but leter painted this impressive pair in of Westminster, but later

Control of British pictures on Wednesday, and the star lot is by Khachsturian, Bartok Tokyo Bunka Kaihan (Thurs), (255 9595).

Shinsei Kihon Synghony Orchestra, cooducted by Kazuo Yamada. Haydn, Mahler. Suntory Hall (Thurs), (255 4836).

Southeby's will hold its major auction of British pictures on Wednesday, and the star lot is by Fuseli, another Swiss-horn artist who made his career in England. It is a scene from Paradise Lost, one of 48 that Fuseli painted under the inspiration of Milton's up for sale. under the inspiration of Milton's up for sale.

Arts Guide

OPERA AND BALLET LONDON

Royal Opera (Covent Gerden). Andrey Boyal Opera (Covent Garden). Andrey Tarkovsky'e visually stark and striking Borls Godonov production returns with its original base. Robert Lloyd, in the fitte role, and a cast including Vladimir Popov. Robert Tear. Stefania Toczyska, and Gwynne Howell. James Conlon conducts. The unsatisfactory Peter Wood production of Don Govanni returns with a superior cast (including Thomas Allen, Stafford Dean, Kiri Te Kanawa and Stuart Buring Thomas Allen, Stafford Dean, Kiri Te Kanawa and Stuart Burrows) and Colin Davis as conductor. Gwyneth Jones's performance of Strauss's Elektra is one of the most compelling the Opera House has seen in some while. The other cast members – Helga Dernesch, Ruth Falcon, Willard White, Renneth Woollam – are first-rate, as is Gerd Albrecht'a conducting. (240 1066).

PARIS Cologne Opera (Theatre des Champs
Elysées). La Gazza Ladra, conducted
by Iwan Fischer, is a vivacious and
colourful production which brings
to life Rossini's mixture of comedy
and pathos. The opera semi-seria is
co-produced by the Paris Opera and
the Théatra des Champs the Théâtre des Champs Elysées

Paris Opera (Palais Garnier). Pier Luigi's production of Norma, con-ducted by Maximiano Valdes, bolds brilliantly the strands of the romantic tragedy. It alternates with e pro-duction of Faust by Jorge Lavelti in which, against a metal and glass background, Faust and Mephisto become two facets of a dual person-ality. (47.42.57.50).

NETHERLANDS

FINANCIAL TIMES Amsterdam, Muziektheater. London Contemporary Dance Theatre with John Somebody (Newman/Johnson); Songs, Lamentations and Praises (Cohan/Burgon), and And Do They Do (Davies/Nyman). (355 455).

WEST GERMANY

Bonn, Opera. Giancario del Monsco's production of Der Liebestrank, with Krisztina Laki, Dalmatio Gonzales and Brian Schennayder, closes the

production of Il Barbiers di Siviglia has its première this week, with a cast including Alice Baker, Jozef Kundlak, Enzo Dara and Alessandro Corbelli. Jenufa is revived with Helena Doses outstanding in the title role. Der Wildschutz, conducted by Volkmar Olbrich, will be offered for the last time this season. The cast is led by Josephine Engelskamp, Elsie Maurer, Susanne Freyler and Jerrold van der Schaaf.

ITALY

Milan, Teatro Alla Scala, Zeffirell'e production of Turandot, conducted by Lorin Mazzel, with Ghena Dimi-trova, Flamma, izzo d'Amico, Milena Pauli, Nicola Mart Inucci and Stives-Pauli, Nicola Mart Inucci and Silvestro Sammaritano. (80.91.25).
Ravena Festival, Rocca Brancaleone: Turandot, conducted by Hubert Soudant and produced by Pler Luigi Pizzi, with Maria Dragoni, Cecilia Gasdia and Antonio Ordonaz, and the orchestra and chorus of the Bologna Teatro Comunale (Tues and Thur). Loggetta Lombardesca: works by various choreographers under the title Byron, Tchaikovsky, Manfred, Astarte and Others. The programme is danced by Carla Fracti, Virginio Gassolo, Alessandra Althoff and Giuseppe Botta, produced by Beppe Menegatti and conducted by Karl Martin. (22577). Verona, Arena Di Verona, Traditional production of Ponchielli's La Gioconda by the French director, Jean Claude Avry, conducted by Christian Badea (musical director at Spo-

Paris Opera Ballet (Wolf Trap Festival). A week-long visit includes performances of Cinderella and Rudolf Nureyer's re-fashioned Swan Lake. Ends July 17. (432 0200). TOKYO

letn until last year). The cast inclodes Giovanna Casolla, Bruna Bagitoni and Silvano Carroli Repeat of Pietro Zuffil's 1967 production of Alda, with gittering metallic sets and costumes, conducted by Donato Renzetti, with Mariz Chiara, Fiorenza Cossotto and Franco Bonisolii as Radames. (590.109).

WASHINGTON

Macbeth (Verdi), with Shirley Verrett, Justino Diaz and the Fujiwara Opera Company, conducted by Michelangelo Veltri and directed by Paolo Trevisi. Tokyo Bunka Kaikan (Mon. Wed. Thurs). (371 5384). Kadiyattam: Classical Dance Drama

Endlyattam: Classical Dance Drama of India. Laforet Museum, Akasaka (Mon). (461 0983).
Zepkyre. World première revival of an opera ballet by Ramsau, conducted by Jean-Claude Malgioire with the Baroque Orchestra of the Tokyo Summer Festival. Produced by Francois Raffinot. Shinjuku Bunka. Centre (Wed), (350 1141).

MUSIC

LONDON

Dizzy Gillespie Big Band with Chuck Mangione. Royal Festival Hall (Mon). (928 3191). City of London Sinfonia and London Concert Choir, conducted by Andrew Lucas with soloists. Mozart and Haydn. St. John's, Smith Square (Tue). (222 1061). Carlos Santana and Wayne Shorter. Royal Festival Hall (Wed).

WEST GERMANY

Schleswig Heistein. This summer's festival has been extended to 176 concerts in 29 different vennes. World class musicians will be performing in small villages from the island of Sylt in the north to Woterseand of syn in the morth of women-sean in the south, as well as in Man-burg and Luneburg. They will be playing in manor bouses, harns, churches and riding stables. One of the main aims is to attract and support young talent there will be support young talent there will be 18 master classes with Siegtried Lorenz, Heinrich Schiff, Elisabeth Leonskeia, Sachar Bron, Ninz Dor-lizc and Lew Maumow, among oth-ers, in Lubeck's music school. ers, in Lunear's music school. The festival's orchestra, trained throughout the summer by Leonard Bernstein and Sergiu Cellbedache, will than go on a concert tour of West Germany.

West Germany.

Highlights are the Festival Orchestra, conducted by Leonard Bernstein and Sergio Celebidache and Christoph Eschenbach; Guiseppe Sinopoli and the Philharmonic, and Iona and the Philharmonic, and Iona Brown conducting the Academy of St. Martin-in-the-Fields. Soloists include Gidoo Kremer, Shlomo Mintz, Boris Pergameotschikow, Helnrich Schiff, Bruno Leonardo Gelber, Elisabeth Leonskaja, Svjatoslav Richter, Alexis Weissenberg, Lucia Popp, Dietrich Fischer-Dieskao, Hermano Prey and Peter Schreier. Schleswig Holstein Festival, Postfach 3840, 2300 Kiel, West Germany, (0431 81070).

ermany. (0431 81070). **NETHERLANDS**

Amsterdam, Concertgeboow, The Amsterdam, Concertgeboow. The European Commonity Chamber Orchestra, conducted by Ivor Bolton, with a programme of Kyalive-cek, Haydn, Palstello (Thur), in the Recital Hall: a recital by the winner of the 8th International Plano Competition (Mön); guitar recital by Roberto Aussel (Wed). (718 345).

Amsterdam, Nieuwe Kerk (Dam

July 8-14

Square). A candlelight concert by The Academy of the Begijuhof under Roderick Shaw: Purcell (Thur).

NEW YORK

Mew York

Mostly Mozart Festival. Opening special event of the festival has the Mostly Mozart Festival Orchestra, conducted by Gerard Schwarz with Vladimir Feltsman (piano) and Frederica von Stade (mezzo-sopsano) in a programme of Mozart and Haydn. Avery Fisher Hall, Lincoln Center (Tue). (874 2424).

Aviva Arannvich piano recital. Haydn, Schumann, Chopin, Bartok. Free concert at IBM Atrium, 56th & Madison (Wed 12.30 mat).

St. Luke's Chamber Ensemble, with Scott Rumey (guitar). R. Strauss,

K. Luke's Chamber Ensemble, with Scott Kuney (guitar). R. Strauss, Dvorak, Boccherini, Caramoor Festival, Bedford (Tinr). (S14 232 5035).

CHICAGO

Ravinia Festival. The Beaux Arts Trio plays Haydn, Beathoven, Tchaikov-eky (Mnn). Chicago Symphony, Orchestra, conducted by Vladimir, Spivakov with Ray Still (oboe) pres-ents an all-Mozart programme (Wed). (728 4642). TOKYO

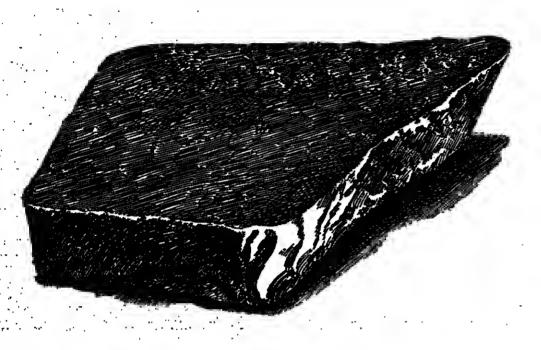
Vernon Handley conducts the Yomi-uri Nippon Symphony Orchestra, with Rainer Kuchi (violin). Mendels-sohn, Mozert, Dyorak. Suntory Hall (Tues). (270 6191). hilbarmonisches Oktett Berlin. Moz-art, Beethoven. Suntory Hall (Tues). (235 3201).

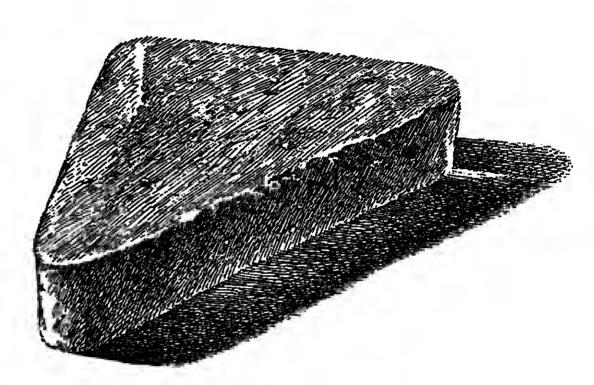
It was bought by the Victorian 1959. steelmaker Joeph Gillot, the Sorgressest collector of his day, and tian

on an overseas buyer acquiring the work. The Japanese are known to be very keen on this early Impressionist. A painting by the Swiss-born artist Jacques present for the same of the large of the large

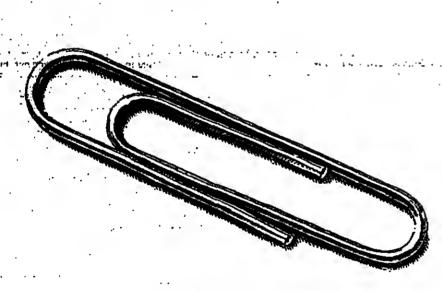
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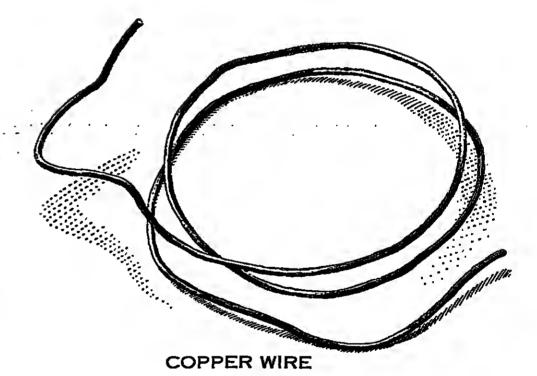
Using only these objects, try and win the Nobel Prize for Physics.





SILICON





even the electric guitar would not exist.

benefit of hindsight, but at AT&T Bell Laboratories in 1947 the three men who were experimenting with the properties of semiconductors knew that they were exploring a whole new world. The breakthrough occurred when they

It seems remarkably simple with all the

finally isolated the transistor effect, a discovery that was to lead to a revolution in communications and to the Nobel Prize for the three inventors.

Without transistor technology the world would seem primitive today. Computers, space flight, electronic watches, everything to do with modern communications, and

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FINANCIAL TIMES

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Monday July 11 1988

Mexico's new politics

MEXICO'S ruling institutional party, the PRI, is not in the busi-ness of losing elections. Yet five days after the country voted in presidential and congressional elections last Wednesday, it still could not credibly prove that its candidate, Mr Carlos Salinas de Gortari, had won the highest office. Even Mr Salinas himself, with a display of honesty that can only be commended, conceded that the opposition had done well enough to turn Mexico. de facto, into a pluralistic politi-

That in itself is, by Mexican standards, a revolutionary development, and, as such, poses an enormons test to the body politic, even to the point of creating a constitutional crisis. In the firing line are not only Mr Salinas and his principal opponent, Mr Cuauhtemoc Cardenas, who led a broad-based coalition of the left, but also the amorphous mass of the PRI itself. in their respective but different ways, the two men clearly possess principles, whereas the party has principally been obsessed with power and the means of retaining it.

Thus, the interpretation that Mr Salinas chose to place on the election, while entirely in character for himself, must have come as a dreadful shock to the party machine. It is an admission that no amount of the old "alchemy" with votes could conceal the success of the opposition's campaign and it undermined the traditional arrogance of the PRI, which has always behaved as if it had a divine right to rule.

Economic policies

Several explanations may be advanced. The depth of support shown for the opposition may in part be a consequence of the eco-nomic policies which have been pursued by the De la Madrid administration and of which Mr Salinas has been a principal architect. The shift towards a more market-oriented and less interventionist approach in both

An even bigger factor has been this election has marked.

discontent over the style and tactics of the PRI apparatus. It has consistently sat upon a growing chorus of opinion within and without the party demanding, greater pluralism. Where reforms have been made they have usually been too grathing. ally been too grudging.

Mr Cardenas is a direct product of such disaffection, starting out hy offering loyal opposition within the PRI, then breaking from the party no more than two years ago in frustration over the inability to open up the presidential selection process. Admittedly he has been able to trade on the name of his father, Mr Lazaro Cardenas, Mexico's most respected president who nationalized the oil industry. respected president wised the oil industry.

A rich irony

Apparent attempts to rig the vote in advance encouraged the Cardenas phenomenon. Here there is rich irony. Mr Salinas had everything going for him youth, a respected political lineage linked to both left and right, intellectual hrilliance and an impressive track record in turning round the Mexican economy in the midst of the debt crists. Without the PRI's gerry-mander-ing he probably would have won

a creditable victory.
in the aftermath of the election, it is vital that all sides
understand that new ground rules must begin to operate. Mr Salinas must respect fully the presence of Mr Cardenas' broad left coalition and the right-wing left coalition and the right-wing PAN, the latter having been long denied a rightful say in the North. He must also begin a gradual decoupling of the PRI's previously inseparable linkage with the state that has fostered so much of Mexico's pervasive corruption. Only in this way can he demonstrate his electoral commitment to "modern politics". mitment to "modern politics".

This is not going to be easy hecanse so many entrenched interests are at stake. The brutal murder of a close aide of Mr Car-denas in the election run-up shows the lengths to which thes domestic and external policy represents a sharp break with the opposition is justified in pressing PRI's traditional stance. The for evidence of ballot-rigging to unprecedently strong showing of be fully investigated. But modern Mr Cardenas has shown that the PRI has lost its monopoly over sary if Mexico is to hulld on the genuine political advance which

Time to rethink **National Savings**

CAN A £36bn investment institu-tion be turned on and off like a tep? That is the challenge being of the patriotic, voluntary collecfaced by Britain's Department for National Savings, which has been seriously affected by the Government's swing into fiscal surplus.

National Savings of the Trustee Savings Banks.

National Savings ramains

Savings has been contributing a steady £2bn to £3bn towards the funding of the public sector borrowing requirement. That means it has been obliged to maintain competitive terms for its prodnets and achieve high gross sales because as a mature institution it has needed to offset a steady pat-tern of withdrawals of existing

But these days the Govern-ment has little need to rely upon National Savings for new net funding. Accordingly the depart-ment's aims have been modified: it is now looking at the quality and structure of the National Savings debt rather than primarily at its quantity. Apparently this amounts to a concentration upon "sticky money," that is, savings which will be locked up for extended periods. This can be achieved, for instance, by paying bonuses on investments held for five years and discouraging early

Restructuring

At any rate, recent months have seen a consistent reduction in the rate at which money is heing attracted. In May, for instance, the net contribution to Government funding was only £63m. The director, Mr John Pat-terson, says in his just-published annual report that the measure of success will no longer be the amount of money attracted each month but will be much less simple, based on such factors as whether customers are being induced to switch from mature issues of Savings Certificates to the new one, and whether nontaxpayers are getting the message that they can receive a gross income from National Savings

products. But is it time to take a more radical look at National Savings, which for comparisoo is about the same size as the unit trust industry? If the Government is serious about running balanced hudgets for years into the future, does lt need its own retail savings operation? It is 15 years since the publication of the Page Report, the last official review of government savings instruments National Savings. That made to be privatised.

tion arm of the movement, and

For the past few years National avings has been contributing a savers, often the elderly, who teady £2bn to £3bn towards the unding of the public sector borowing requirement. That means could be removed: that banks and building societies are forced to deduct tax at the composite rate. and this tax cannot be reclaimed. Would not poorer savers be bet-ter served if the Government were to make it easier for private sector bodies to take on this role? In any case, it is a continuing scandal that many non-taxable investors continue to use taxable savings institutions for reasons of convenience, and suffer tax

Cheap finance

In running its own savings institution the Government is exposing itself to important conflicts of interest. Still on the same tax point, for instance, it has succumbed to the temptation to obtain cheap finance from poor savers by depriving them of the opportunity to obtain the most competitive tax-free rate (other than by using offshore

More generally, its lesser need for financing means that it will be offering less competitive rates to investors than in recent years This is contrary to the interests of loyal savers. It is a strange decision, too, when the personal sector savings ratio is exception-ally low and there are increas-ingly strong arguments for raising savings incentives. A lower profile for National Savings also allows still more money to flow into the building societias to stoke up the dangerous house price boom still further.

If the Covernment is determined to retain the elaborate structure of the Department for National Savings, with some 7,400 staff members, because it may one day need it again, would it not make more sense to keep it fully loaded for the time being hy selling private sector products through it? An even more radical approach, which certainly deserves consideration, would be for the whole process of selling

Judy Dempsey and Leslie Colitt report on a new era in Eastern Europe

WHEN Mr Mikhail Gorbachev, tha Soviet leader, addresses the leaders of the Warsaw Pact in Poland later this week, he will be forced to confront his own paradox. After months of insisting that the Soviet model of glasnost and perestroika (openness and restructuring) should not be slavishly copied by other socialist countries, he will try to persuade his east European allies both to introduce economic reforms and to improve radically their human rights record.

record.

The way in which this paradox is resolved will indicate what direction Mr Gorbachev's policy towards eastern Europe will take over the next few

years.
Since the Communist takeover in eastern Europe after the Second World War, Moscow has been plagued by unrest in the region. It stemmed from the fact that the Communist system was imposed on political cultures, most notably in the Czech lands as well as in parts of Poland and Hungary, which had democratic traditions.

Over the years, sections within the ruling Communist parties and the opposition tried repeatedly to revive these political traditions either through open rebellion against Soviet domination or else by attempting to introduce far-reaching reforms within the Com-munist Party itself

Now the east Europeans are faced with a situation which they themselves find difficult to respond to: for once, the Soviet Union is setting the pace and is advocating those reforms and radical changes once attempted by eastern Europe, but crushed by Moscow.

Mr Gorbachev's philosophy was best summed up in his closing speech during the Soviet special party conference last month: "The ultimate goal of perestroika is socialism with a human face." Ironically, this was the phrase used by Conhecter the Argument of the Pro-Czechoslovak reformers during the Pra-

gue Spring of 1968.

Mr Gorbachev desperately wants to improve the image of socialism and he needs his allies to help him. Some of the allies are reluctant. Mr Milos Jakes. the Czechoslovak leader who was instrumental in purging the party after 1968, Mr Nicolae Ceausescu, the Romanian leader, Mr Todor Zhivkov, the Bulgarian leader and Mr Erich Honecker, the East German leader, are all less

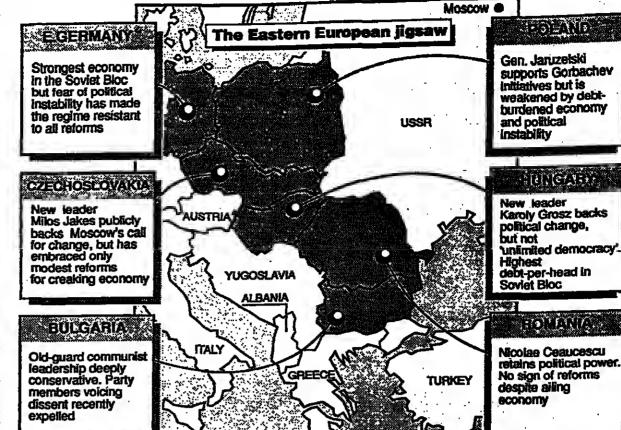
Only the leaderships of Hungary and Poland are firmly in the reformist camp, but both countries suffer from camp, but both countries suffer from badly weakened economies. Hungary has the highest per capita foreign debt in eastern Europe, followed closely hy Poland, Hungary's fatal mistake was to introduce only partial reforms, which the father of the 1963 Hungarian economic reforms, Mr Rezso Nyers, noted are "worse than no reforms at all." Poland's weakness is the lack of a political consensus between the leadership ical consensus between the leadership and society without which reforms can-

and society whence and society whence and society whence and the "big three" economies of eastern Europe, orthodox East resists all Germany, stuhhornly resists all reforms. The arch-conservative Czechoslovak leadership has half-heartedly drawn up partial economic reforms, but is determined to suppress any signs of

"The tragedy is that the reforms may have come too late for us," an elderly Czechoslovak reformer in the Prague Spring of 1968 noted recently.
Significantly, Hungary's new party

leader, Mr Karoly Grosz, was the first east European to congratulate Mr Gor-bachev personally on the party confer-ence during a visit to Moscow. The Soviet leader returned the favour by noting that many of the reforms passed at the Hungarlan party conference last May corresponded with his own peres-

troika programme.
Such parallels, however, are deceptive. Mr Grosz, in a recent interview with the FT, noted that the main difference between the Hungarian and Soviet reforms was that Hungarians made far



Mr Gorbachev and his wary allies

greater demands on their government than Soviet citizens. Undoubtedly, he had in mind the newly founded independent trade union in Hungary and the rival youth organisation, which have challenged the party's domination of public life. The party can ill afford to permit these forces to spread without endangering its own position, as occurred in Poland under Solidarity. Some of the demands for political

change which Hungarians were making were "quite justified" Mr Grosz said, and had to be met. It was the demand for "democracy without limits" that was unacceptable. But if Mr Gorhachev's reformist

allies in eastern Europe are in such difficult straits, what of his allies who WITHIN the Soviet Bloc, General Wojciech Jaruzelski, the Polish leader,

mest supporter.

He greeted Mr Gorbachev's accession with a sigh of relief, believing correctly that the new Soviet leader would sympathise with his unorthodox attempts to reform the economy and tinker with the political system in a way previous leaders in Moscow had

has always been Mr Gorbachev's fir-

The General's innovations had aimed to blunt the forces which gave rise to the Solidarity movement in 1980 and which continue to pose a threat to the Communist Party's hegemony. Approval by Mr Gorbachev would take the wind completely out of the sails of domestic hardliners, who in the past had always looked to Moscow for sup-

OBSERVER

oppose reforms? Chief among them is East Germany, the region's number one economic power and Moscow's leading trading partner. In much the same way that West Germany has served as a model capitalist economy since 1949, East Germany has demonstrated that even a Stalinist command type economy can be made to work. East Berlin's omy can be made to work. East Berlin'a centrally planned and minutely con-trolled economy has produced one of the highest growth rates in Comecon — 4.1 per cent in the first half of this year. But stifling controls and a lack of incentives throughout the economy

have left East Germany largely uncom-petitive with the West. The conserva-tive leadership in East Berlin fears that liberalising the economic and political

The greater freedom of manoeuvre for the Polish leadership, while bol-stering its position within the establishment, has not, however, translated into daring new policies.

Caution is now required, Warsaw argues, to ensure that nothing happens to undermine Mr Gorbachev's efforts to undermine Mr Gorbachev's efforts at home and provide his opponents with arguments that his liberalising policies are leading to unrest. Cantion is required for another reason, as the Poles have had to contend with the possibility that Mr Gorbachev's policies could be reversed, leaving Warsaw dangerously exposed.

How long the population will allow Gen Jaruzelski to maintain this cautions stance is another matter. So far, peopla have been watching the

peopla have been watching the goings-on in the Kremlin with incredu-

system would threaten the very exis-tence of socialism in East Germany. Many East German party members believe the Russians made a mess of building socialism and are unlikely to do much better in reforming it. Czechoslovakia, while officially espousing economic reforms, likewise has no intention of reducing the party's

role in the economy. Prestavba, as perestrolks is known in Czechoslo-vakia, is not to be fully implemented in the economy until 1991. Meanwhile, the once-vaunted Czechoslovak industrial machine is creaking out obsolescent goods which last year led to huge stock-piles of mosold products.

Mr Jakes is by no stretch of the imagination a political reformer. As head of

lity. Only recently has the realisation dawned that changes there are indeed on the way. Nevertheless, the new Soviet style has permitted an openness in the media unthinkable three years ago, on issues such as the fate of Poles deported to the Soviet Union both during and after the Second World War. It is now also permissible to talk in print of the Polish history of tearltories

in the east which were annexed by the Soviet Union after 1945. On top of this, debate on economic issues in Poland — always more open than elsewhere in the Soviet Bloc — has become freer, as Moscow continues to innovate, leaving the Polish estab-lishment not at all clear where the process might end.

Christopher Bobinksi

the party's control commission, he was in charge of purging the party after the ousting of the reformist Alexander Dub-

cek in 1968.

Against this background, what does

Against this background, what does Against this background, what does Mr Gorbachev want from eastern Europe, given his piedges not to impose his own model on the region?

The last thing Mr Gorbachev wants is instability. He is not putting pressure on Mr Honecker, nor on the recalcirant Mr Caausescu. He has heeded the repeated warnings of East German officials that the German Democratic Republic could rapidly become destabilised by introducing reforms which the population misinterpreted as a signal for all-out liberalisation.

Yet precisely because his radical views have raised expectations among the citizens of eastern Europe, who now avidly read the Soviet press and look at Soviet television, the pressure for

avidly read the Soviet press and look at Soviet television, the pressure for change from below could actually lead to instability. The emergence earlier this year of a Green movement, in Buigaria, of all places, showed that its normally docile intellectuals, inspired by changes taking placa in the Soviet Union, felt confident enough to try to air their views.

However much some east European

However much some east European leaders may be dragging their feet, the pressure on the authorities from below to respond to tha Soviet changes is increasing. Unless these rising expectations can be matched with corresponding changes at the top. Mr Gorbachev ing changes at the top. Mr Gorbachev could face trouble in his back yard.

This is why he must tread carefully in eastern Europe. Contrary to some arguments that the Soviet leader has virtually ignored eastern Europe since virtually ignored eastern Europe since taking power — on the grounds that he has enough problems at home — the change of style in Soviet-east European relations suggests that, in certain areas, a much tighter framework now functions compared to the latter days of Mr Leonid Brezhnev.

On a purely administrative level, On a purely administrative level, there are now new Soviet ambassadors in Warsaw, East Berlin, Sofia, Bucharest and Prague. Younger Soviet diplomats enthused by perestroika hava been sent into the embassies in the east European capitals. Mr Gorbachev consuits the ailies more regularly and comprehensively on a wider range of issues than his predecessors — and listens to different views. Above all, Mr Gorbachev wants his own men on the top in chev wants his own men on the top in these countries.

A striking example of just how closely Moscow watches the situation was the replacement, during the Hungarian party conference last May, of Mr Janos Kadar as party leader hy Mr Grosz, So well-briefed was Soviet radio that it broadcast the appointment of the new leader before Hungarian radio. Moscow was also instrumental in pushing out Mr Gustav Husak, the Czecho-slovak party leader last December. While Moscow is taking a close look

at eastern Europe, the attitude of the Communist parties in eastern Europe towards Mr Gorbachev is slewly and inevitably changing. The special Soviet party conference confirmed that the Soviet leader is here to stay, at least for the foreseeable future. This means that the east Europeans will have to adjust to the new situation in the Soviet Union. It also means introducing politithose same reforms attempted in 1956 in Hungary, in 1968 inCzechoslovakia and in 1980 in Poland, but which were quashed by Soviet tanks.

Those bitter and often bloody experiences taught the Communist parties to exercise extreme caution. It is Mr Gorbachev's task to diminish that caution. But he himself will have to pay the price for any upheaval which may arise from reforms being encouraged or prevented. It will take more than this week's meeting to resolve the Soviet

Th,

Rise of Ray MacSharry

Charles Haughey, tha Irish Prime Minister, is said not yet to have made up his mind whether, to reappoint Peter Sutherland as the Irish member of the European Commission. The betting must be, however, that Suther-land will be packing his bags. To understand that, you have

to look at it through Irish eyes.
On the face of it, Sutherland has been a highly successful Commissioner. He has the competition portfolio at a time when competi
The hlack-footed ferret is likely to become more so. He stands up to people like Lord Young, the British Trade and Industry Secretary. If he stayed, he would have a reasonable chance of becoming President of the Commission in succession to Jacques Delors in 1991.

The Irish do not see it like that the commission is succession to the Industry Secretary. If he stayed, he would have a reasonable chance of becoming President of the Commission in succession to Jacques Delors in 1991.

Although he was briefly Ireland's
Attorney-General, it is pointed out that he has never held alective office. Moreover, the Irish tooth to do it. wonder if competition is the right portfolio for them. They are not, after all, much interested in big

sels would broaden MacSharry's experience while not ruling him out for the succession when it

Meanwhile, Haughey is off for 10 days in Australia and New Zealand. He gets on well with Bob Hawke, his Australian counterpart, with whom he has a lot

tion policy is important and almost extinct but, as the latest

Jacques Delors in 1991.

The Irish do not see it like that.

For a start, Sutherland is from the wrong party: Fine Gael rather than Haughey's Fianna Fail. It is also said that he has become out wards his mate started to pro-

Rabbi's reward

after all, much interested in big industrial mergers. Thus they would prefer regional policy or agriculture and would like the post to be held hy someone close to Haughey.

So the man being tipped for the Irish job in Brussels is Ray Mac Sharry, the Finance Minister. When he completes this year's public expenditure review in September, he will have had a good stint at stabilising the Irish econ-

stint at stabilising the Irish economy and should be ready for a move. His closeness to Haughey of the city ran into strong local is not in doubt and he has an opposition. One East Berlin lady understanding of Irish require whom Neuman met during his ments from the Community.

Besides, current projections have it that Haughey, like Margaret Thatcher, will be Prime Minister until well into the early 1990s. Thus four years in Brus-



synagogue wedding at the and of the month. Neuman took over in East Ber-

lin last September as the first rabbi in East Berlin for 22 years. rabbi in East Berlin for 22 years. The move was part of East Germany's efforts to build bridges with international Jewish groups — and to improve ties with the US. He left amid a minor storm in the state-controlled East German press after alleging that he was not allowed to get on with his job.

Neuman, who is divorced, says now he does not regret the row. "What I did was necessary." He is pleased that the East German Government has continued his drive to get on hetter with the Jews by promising to join West Germany in making compensation payments for persecution hy the Nazis.

Erich Honecker, the East German leader, was reported in June to have held out an offer of \$100m to American Jewish victims of Nazism. Neuman notes that it has taken 40 years, but adds: "l Serious scrabble

■ The new British national scrabble champion is Margaret Rogers, who describes herself as "just a housewife" from Devizes in Wil-tshire and is the first woman winner since 1980. There was some talk during

tha lunch break at the finals in London yesterday of setting records, and indeed the championship record is broken quite frequently. When the tournament started in 1971, tha winning score was 1345 for an aggregate of three games. That was based on the shorter Oxford English Dictionary. In the mid-70s, however, the competition switched to using Chambers as the ultimate arbiter and scores became higher because it contains more words. The ambition of the really serious player today is to break the 2000 point barrier.

It did not happen yesterday. Rogers won with 1843, so the record of 1863 set hy Nigel Ingham last year still stands. She had twice come 56th in the 100 playar final in the past. This time, she said afterwards, she started in 1971, tha winning score

time, she said afterwards, she "put a lot of faith in God and played very hard. It will do a lot of good for Devizes."

The highest recorded score

fine nignest recorded score from a single play, though not yesterday is said to have come from the word "benzoxycamphors", achieved by using all sevan tiles along with those already placed on the bottom line of the board.

Family scrabble players may like to know that the national rules permit a large number of two letter words including "GI", "EE" and "ZO". There is a two minute time limit per go.

An enlarged Chambers dictio-nary to be published in October will bring the 2000 target nearer.

Windy speech

From a company staff maga-zine: "The sudden fierce gust of wind took all who were at the ceremony completely by surprise. Hats were blown off, and copies of the chairman's speech and other rubbish were scattered all



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Lionel Barber reports on a huge shake-up for US education policies

A revolution at the chalkface

often appeared to be the reincarnation of that great Dickensian disciplinarian. Mr Wackford Squee

In his search for lax standards, second-rate teachers and inadequate curricula in the nation's public (publicly funded) schools, Mr Bennett has not spared the rod; even the top-ranking private universities of Harvard and Stanford have come under attack. But Mr Bennett has also exploited his position at the Education Department, accreation of the Carter Administration, to advocate more choice in schools, merit pay for teachers and other ideas gimed at making institutes of learning

Many in the education profession in the US would like to dismiss the Bennett crusade as historical aberration, but this is a time of great public dissat-isfaction with the education system. It is also a period of great experimenta-tion and Mr Bennett, despite some of his more outlandish statements, has ensured that the conservatives have a voice in a reform movement sweeping the country.

Minnesota, for example, has just adopted an open enrolment plan which will empower school districts to offer parents and students choice in selecting schools. Though containing some important restrictions, the scheme will still amount to the most generous provision of parental choice in the coun-

iry.

In New Jersey, almost one in five teachers have been recruited from outside traditional teacher training colleges, prising open the labour market and boosting participation among blacks, Hispanics and other minorities

in the teaching profession.

In Utah, teachers are being rewarded with salaries based not on their length of service but on their performance; a similar competitive remuneration sys-tem has just been adopted in Rochester, New York. In California, the state edu cation department has ordered a rewriting of textbooks as part of a compre-hensive overhaul of the curriculum from kindergarten to high school.

These changes amount to the beginnings of a cultural revolution. Traditionally, the US, the melting pot society, has seen the primary role of the high school as bestowing a common culture or "citizenship" on its students. A second enduring feature is the devo-hition of power to local school boards which have always enjoyed wide discre-tion on what is taught and tested in the

The system's strength lay in its ability to cater for the huge influx of non-English-speaking immigrants, giving them time to adjust to their new home-English-speaking immigrants, giving more homework (two thirds of high them time to adjust to their new home school seniors aged 17 and 18 reported land before they entered college or less than one hour a night). employment. The disadvantage was

DURING his three years as US Education in the liberation ist tion Secretary, Mr William Bennett has child-centred education theories of the late 1960s when student choice was rampant, the rudimentary curriculum

became a recipe for chaos.

The states, which retain nominal constitutional responsibility for education, are now trying to wrest back actual control from the often highly politicised local school boards. While their efforts may not match the ambitious legislative reform being pursued in Britain, they signal a determination to break with the past. The question is whether the reform effort can succeed in the absence of a comprehensive approach in the face of opposition.

The consensus for education reform

in the US has been building up since the 1970s. It gained new impetus in 1983 when a panel set up by President Ronsld Reagan — the National Commission on Excellence in Education — produced a damning report on standards of learning in the patients high schools. The ing in the nation's high schools. The report, A Nation at Risk, said: Some 23m adult Americans were functionally illiterate by the simplest tests of reading, writing, and compre-

About 13 per cent of all 17-year-olds were functionally illiterate; the figure may be as high as 40 per cent among

minorities. students was lower than when the Soviet Union launched its Sputnik in

 International comparisons of stunt achievement, completed in 1978. showed that on 19 academic tests American students were never first or second and in comparison with other industrialised countries were last seven

The discovery that there could be such a creature as an illiterate high school graduate was, of course, no secret in the teaching profession. What gave A Nation at Risk such impact was that it established the connection between education and a nation's vitality and prosperity, arguing forcibly that the US was in danger of falling behind its international competitors by failing to invest in schooling.

The commission urged the individual states to introduce curricula focused on what it called the new basics: four years of English, three years each of mathematics, science, and social studies, one half-year of computer science; and, for those planning to attend college, two years of a foreign lan-

Other important recommendations were standardised textbooks, higher salaries for teachers, clearer designation of authority to principals, and Lastly, the commission said school



districts and state legislatures should consider boosting the school year to between 200 and 220 days from its present 180 days (which still reflects the agrarian calendar and the demand for worthful reveals on the demand for youthful muscle on the family farm).

As Mr Bennett acknowledges, the American education system does not suffer from the British disease where academic subjects have traditionally enjoyed preference over more technical and scientific courses. The problem is not that they are reading too much George Eliot," he says, "their pool of scientific and literary knowledge is simPive years on, Mr Bennett believes progress has been made, citing a 40 per cent increase per capita in state spend-ing for elementary and secondary edncation between 1981 and 1986, a slight improvement in the broadly based scholastic aptitude tests and an increasing number of graduating students taking the new basics: up from 13.4 per cent in 1982 to nearly 30 per cent according to a 1987 sample which excludes the foreign language and computer science classes.

More important, says Dr Chester Finn, one of Mr Bennett's senior advisers at the US Education Department,

the intellectual hattle has been wor More and more states are adopting edu cation policies which reflect the public demand for better choice, accountabil-

ity and content in the school system. Yet the conservatives have not had it all their own way. Plans to introduce a voucher system for parents wishing to send their children to private schools have foundered; the best the Reagan Administration has been eble to achieve is to prevent the slide in the number of private school students (11 per cent) as measured against those going to public schools. "People thought we were trying to destroy public education," says Dr Finn, "and that had a devastating effect on political

The fall-back position was to promote choice in public schools and this appears to be gathering momentum through the application of competition and market-based philosophies which have more in common with privete business practice than public educa-

One such example is the "magnet school," a designated school, often in a run-down urban area, which stands out by dint of its specialised curriculum, strong discipline or high academic stan-dards. Cambridge, Massachusetts, has 13 magnet schools, but this is an unnsually high proportion. Out of 75,000 public schools in the US, only 2,000 rank as magnet schools.

A less orthodox method of tackling educationally hankrupt inner city schools is to send in the equivalent of a corporate troubleshooter. Mr Bennett is a great admirer of Mr Joe Clark, the former US Army reserve sergeant turned high school principal, who arrived, baseball bat in hand, at Eastside High in New Jersey. Mr Clark cleared out the drug pushers, cleaned off the graffiti and marginally boosted maths and reading scores, prompting Mr Bennett to remark: "Sometimes you need Mr Chips, sometimes you need Dirty Harry."

The lionisation of individual teachers

is part of the Education Department's effort to restore authority in schools. The problem is that it does not address the more fundamental problem which is the lack of a standard national curriculum specifying subject content plus follow-up assessment nationwide. A legislative proposal is pending before the US Congress, but Dr Finn says that after pilot testing the earliest date it could go into force would be 1995. Like Mr Kenneth Baker, his counter-

part at the UK Department of Education, Mr Bennett has discovered the attractions of centralised power in education to accelerate the pace of reform. "It is going to be very difficult to extend the role of government dramatically," he says, "but if you are going to sin, sin boldly."

Lombard

Guard us from the guardians

By Samuel Brittan

IS THE object of the furniture guards, when the ITV franchises industry to promote good furniture? Is the object of the publish
Nevertheless, the report was

A shrewd publisher or furni-ture manufacturer might be well advised to say yes. But he would not be speaking the complete truth. If he wishes to stay in bustand furniture that will make a profession of British profit. If he does very well, and his shareholders allow, some books or come for the community content. books or some furniture might be romoted which are not strictly success are a bonus and not the nainspring of the business.

tive industries; it is right that they should be. It would be quite intolerable if there were a regulatory authority to limit competi-

mittee of the House of Commons

Report. For instance it recom-mends that, when telecommuni-methods of finance. tainment as well as telephony and data should be taken into

More immediately, the Comeacock suggestion that every near future, television set should include a peri-television socket (already

Nevertheless, the report was ing industry to promote good fatally flawed by a conception of public service broadcasting designed, not to simulate or sup plement but to distort, the market for high-minded reasons - as well as slightly less high-minded protectionist ideas about a

It would be easier from a debating point of view to say that pub-lic demand and profitability are the only valid criteria. This is not so. There are all sorts of activi-Not only are these the princities in the arts, publishing, ples actually followed in competition broadcasting and elsewhere, live industries: it is right that which citizens will support through the ballot box, but not commercially.

Another complication is that tion among publishers or furni-ture makers so that some systems have grave defects. establishment idea of good qual-ity products could be imposed on the public.

Another complication is that all known broadcasting payment by systems have grave defects. Advertising finance reflects pub-lic demand only indirectly, and does not reflect intensity of pref-Yet it is just these anti-libertarerences and has e bias towards
ian ideas which so many in the the mass market. Pay-television
broadcasting debete want to runs up against the public goods impose on the public. An exam-problem - that is non-paying ple is provided by the Third viewers are excluded even Report of the Home Affairs Com-though they could be supplied with programmes at negligible on the Future of Broadcasting extra cost. Tax finance systems (HMSO, 262-1). (HMSO, 282-1).

Many of its individual ideas are remove from market demand excellent; and it is much the best run into all the dangers of political involvement. A reasonable cal involvement would there

cations policy is reviewed in 1990. These were not guidelines of the advantages involved in the the committee, which for all its introduction of optical fibre as a high principles paid too much neans of transmission of enter- attention to commercial interests. For instance, it came out in favour of a fifth terrestrial chanaccount. Such a network, if it ever became cost-effective, would or a seventh), financed by adverprovide a common carrier for an indefinite number of broadcastscription for the channel, partly ing signals, thus creating conditions for a fully competitive customer-driven broadcasting ish Satellite Broadcasting. Yet a market. far the cheapest way of introducmons Committee endorses the ing direct viewer payment in the

Thus those who imagine themperi-television socket (already selves to be opposed to commer-mandatory in France) which calism find themselves heavily would make it simple and inex-pensive to decode subscription or far more so than the market libpay TV services. The committee eral, who pays attention to the also endorses the idea of competitive tendering, subject to safest stands well clear of the game.

Glasnost needed

From Mr Tony Speller MP. Sir, The world market for steel is indeed far from free (Letters, July 1). It remains artificially July 1). It remains artificially the present investigation into manipulated, to the grave detri- stainless steel pricing in thement of user industries which European Community by the open competition. This threatens sels were known. Indeed, it is industry, and its ability to create resources for the important create authorities could be a support of the important create. resources for the innovations and

resources for uncreases of control survival.

British manufacturers of, for example, catering equipment have faced price increases of over 50 per cent in some grades of stainless steel supplied by British.

Steel over the last two years.

This is before the current application of so called "lickel surcharges," now being applied on a monthly basis on an obscure for mula which appears to have a glowing picture of General Pinses date in July 1987, and there imposes the conomic record — "onto harrier of underdes and economics", "breaking an economics", "breaking an economics", "breaking an economics", "breaking acceptance of the Chilean regime's claims.

According to official figures, and only at L15y and only at L

Letters to the Editor

ish Steel prospectus with less

Oppenheim rightly draws attention are being used to create an thin are being used to create an artificial ahortage of supplies; this, of course, is an essential element in the European steel makers access in demanding prices which could not be sustained in open world competition.

I hope that any prospective aharcholders in British Steel will be clearly advised, in the coming prospectus, of the many artificial admits that wages are still lower than in 1982 — but does not add that wage rates in Chile, once that despite the weight of true world compatition. care; sharp increases in infant it would also be helpful if the mortality and illiteracy among two year old — but unseen — the poor; widespread truancy, as Monopolies Commission report parents are economically barred covering British Steel were published in full and the outcome of A minority has benefited —

relations field. It has persuaded generally well-informed and bright foreign observers to been a feature of authoritarian monetarism in both Chile and Britain Pinochet's 1980 Constitution, on which the plebiscits is based, navisages only a demogratic express for continued will. cratic veneer for continued mili-

According to official figures, during the total period of military rule (1973-87) Chilean gross domestic product (GDP) has domestic product (GDP) has first session at 8.30pm on Friday grown at about 1.9 annually; this and will end only at 1.15pm means that in *per capita* terms (for the average Chilean), GDP is approximately the same as it was 15 years ago, Where is the Pinochet economic miracle? This has got it wrong. There are no poor record contrasts with the decisions already made by any-

around 2 per cent. On average, unemployment in agreed by all the participants in the conference.

Onlie between 1978 and 1987 has the conference.

Oliver Fiennes, Dean of Lining the previous two democratic coin. ents. It is true that the Profes governments. It is true that the Professor Geo Pinochet government has had The Deanery, some economic achievements, Lincoln

... such as institutining low levels of inflation and diversifying as well as expanding exports. But its overall growth record is certain) very poor, even though it has improved in the last two years. The Chilean government's main success has been in the public relations field. It has persuaded Stephany Griffith-Jones,

It is evident that the author of your article has indulged in a lit-tle invention and unfortunately previous period, when under one and no preconceived commit

democratic rule, between 1940-73, democratic rule, between 1940-73, ments.

GDP grew at an annual average rate of around 4 per cent, while all that the purpose of the conferper capita GDP increased by ence is to aid decisions which are yet to be made. This letter is agreed by all the participants in

A FINANCIAL TIMES MAGAZINE

Pensions Management?

July 1 - Judgoment Day for personal pensions - is apan us. Sa Pensions

delivers the pertinost sentences on the new Finance Act,

counsels oo ways in capitaliso na the fresh opportunities, cantinus on the profession's new legal vulnerability, and appraises the figencial igstitutions that are now courting

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'The unification of Europe is difficult and dangerous'

indeed: you cannot get into the sumple is a very different case, subject than I did.

I was reminded of this as I surveyed Mr James Elles's Europe of the sum weyed Mr James Elles's Europe of the sum were of months of the sum were of many not welcome — very much strong pillars, alarm bells, final esting places, and sinking ships luly 6). Like the sume I did.

Lucy is mais reades violent reaction.

Europe is unlikely to follow the sum subject to follow the sum attempts at despotism free from attempts at despotism that any other political entity.

I was reminded of this as I surveyed Mr James Elles's Europe of hon, that wise and fearless that democracy brought about a form of hone of hone

weyed Mr James Elles's Europe of hon, that wise and fearless strong pillars, alarm bells, final frenchman, once went against larly aggravates the British.

The truth is that the unification of Europe is a difficult and opposing the unification of Italy. The truth is that the unification of Europe is a difficult and opposing the unification of Italy. The truth is that the unification of Europe is a difficult and of Europe puts (excuse the analogy) makes the mistake of projecting it would lead to a new Carsarism, dangerous task. Force, in one of more analogy. That use he said. He was right, of course, form or another, will be needed to achieve it. Mr Elles accepts to achieve it. Mr Elles accepts this when he suggests that "as a looking to the future of Europe fascism the unification of this when he suggests that "as a looking to the future of Europe puts to achieve it. Mr Elles accepts this when he suggests that "as a matter of principle, further smallest and fearless tarly aggravates the British.

The truth is that the unification of Europe is a difficult and form or another, will be needed to achieve it. Mr Elles accepts to achieve it. Mr Elles accepts the US took at least 175 German gave Europe Wilhelmine matter of principle, further smallest the unification of Europe is a difficult and form or another, will be needed form or another, will be needed form or another. Some the small of the Europe is a difficult and form or another, will be needed form or another, will be needed form or another. Some form or another, will be needed form or another, will be needed to achieve it. Mr Elles accepts the British.

The truth is that the unification of Europe is a difficult and form or another, will be needed form or another. Some form or another, will be needed to achieve it. Mr Elles accepts to achieve it. Mr Elles accepts to achieve it. Mr Elles accepts the US took at least 175 German gave Europe Wilhelmine the projection of the Elles accepts to achieve it. Mr Elles accepts to achieve it. Mr Elles accepts to achieve i

Il states to the 50 that make up the federation today."

analogy, echoing physics or only take place when the application today."

chemistry, can be drawn from cant country is ready to accept this, and from the American case: the existing and potential obligations of disparate elements of the transfer action. The country is ready to accept the existing and potential obligations of membership." An irony that — and not remember a civil ments creates violent reaction.

(excuse the analogy) of a child playing with dynamite.

Judgement Day

ET BUSINESS INSTRUMENTALI LEMPER, REE OFFICE IL CAMBON STREET, LORGON EEM ARY, MES NO DORGO



James Buchan on Wall Street

A trying time for junk bonds

PITY THE junk bond investor. He is finding there are more ways to lose his shirt on these risky but high-yielding securities than the hankruptcy of the

issuer.
There was the Colt Industries affair. This automotive and aerospace company issued \$550m in 12½ per cent debentures in 1986 to pay a large dividend to stock-

The company continued to prosper, its debt burden became lighter, its credit rating was on the up and the debentures were poised to soar in price. Last March, Colt said it would raise a whole new load of debt to

Stockholders rejoiced but the rating agencies started talking about "very thin cash flow protection" for Colt's outstanding

debt. The debentures tumbled.
"Colt went from an improving "Colt went from an improving junk back down to being just a middle-of-the-road junk." says Mr Dick Swingle, who runs the \$955m junk bond at T. Rowe Price Associates in Baltimore. "If we're willing to take the risk, we should share in the company's improvement along with

pany's improvement along with stockholders instead of being re-

leveraged every year."
The Colt leveraged buy-out is the sort of upheaval - known as event risk – that has troubled the whole US corporate hond through the takeover era.

But the \$160bn junk market is more vulnerable to event risk because issuers are often aggressive companies, professed dealmakers or plain bad risks.

The only protection for holders

lies in the honds' small print, known as indentures, which sometimes limit the issuer's freedom to borrow more or sell assets – but not in the case of Colt.

Then there is E-IL Mr William Harnisch, who runs Forstmann Leff Associates in New York, bought no less than \$190m of an issue of \$750m in 13.05 per cent debentures from E-II, a holding company formed for the express purpose of making acquisitions for the highly regarded Mr Don-

ald Kelly.

Mr Kelly used the money to launch a hostile takeover of American Brands, the large tobacco, spirits and financial services company.

Last January, American Brands turned round and took E-ll over in what is known as a Pac-Man defence.

Since American Brands' debt is rated single-A, and E-II had a weak-B junk rating. Mr Harnisch prepared for a windfall when Ambrands assumed responsibil-

ity for the E-ll bonds.

He rejected an offer from Ambrands to buy out his bonds at a 4 per cent premium to face

This was a mistake. On June 13. Ambrands announced it was selling a group of E-ll husines and responsibility for the Junk bonds to another leverage artist, Mr Meshulam Riklis, whose company has a yet lower credit rat-

ing than E-ll.

Mr Harnisch's bonds fell from 102% in the market to 89. Forst-mann Leff and three other big junk bond investors, with \$466.5m of the E-II debt between them, lost \$62m in a matter of

Mr Harnisch and the three others have sued, claiming that Amhrands misled them at the time of the January offer because it said nothing about any plans to sell the E-ll businesses.

"I feel we've really been taken advantage of by American Brands," he says. "Its not our clients paying for this suit. It's us. This is a crusade."

Two days after the suit was filed, and coincidentally, he says, Mr Swingle announced the formation of a pressure group designed to protect bondholders

takeover or restructuring.

The group, called the Institutional Bondholders Rights Association, includes fund managers from such heavyweight investors as Metropolitan Life and Pruden-tial Life Mr Swingle wants them to impose standard indenture terms to prevent re-leverage - if necessary, at the cost of lower

But many people on Wall Street think that these fund man-agers are making too much fuss. Most junk bond investors have done well this year because well-diversified portfolios have returned a full 8.2 per cent in the first six months of this year despite the event risk at individ-

"These people are just whining insufferably," says Mr Jim Grant, a scathing critic of junk bonds who edits a credit newsletter, Grant's interest Rate Observer. This activity is animated by

fund managers embarrassed and worried about their jobs. "With the E-ll issue, they were buying a hlind pool and Don Kelly's reputation but an indenture very weak in asset-sale protection. They should suffer event risk with dignity."

Siemens starts delivery of new 4 megabit microchip

ples of its new 4 megabit micro-chip to customers for testing, making it the only European manufacturer of such high-pow-

ducers.

Mr Karlheinz Kaske, Siemens's chief executive, said the new 4 megabit chip should go into volume production next year. However, he urged more "burden sharing" among European electronics manufacturers to prevent Europe falling behind in micro-Meanwhile, production of Sie-

anese.

The company's output target for 1 megabit chips bas been raised to 3.5m units for this business year to September, and it hopes to be making 1m 1 megabit chips a month by the end of the year, with output rising to a minimum 20m chips in the 1988-89 business year.

"We have won a battle for our chip technology. The 4 megabit region but we have not yet won chip is expected to become the the war", Mr Kaske said. Siemens standard memory chip for computers in the early 1990s.

(\$1.50n) its megabit chip project. is investing just under DM3bn (\$1.6bn) its megabit chip project, while the West German Research mens less-powerful I megabit Ministry has put in DM240m of chip is "progressing better than the DM700m devalopment costs

SIEMENS, the West German electrical and electronics group, has started delivering the first samples of its new 4 megabit microchip to customers for testing, making it the only European manufacturer of such high-powered chips and putting it on a par with a handful of Japanese ptoducers.

Mr Karlheinz Kaske, Siemens's chief executive, said the new 4 megabit chip should go into volume to 1 megabit chips bas been raised to 3.5m units for this business we dared hope", Mr Kaske said. There is currently a worldwide shortage of 1 megabit D-Ram (Dynamic Random Access Memory) chips, which has caused a dramatic increase in prices Most to be satisfied with this initial success", be said Microchip development in Europe would inevitable to a wesome a task over the longer term for Siemens and Philips alone, he said. While the announcement of the new 4 megabit chip and high volumes production of its 1 megabit counterpart is an important

counterpart is an important moral and prestige booster for moral and prestige booster. for Siemens, the entire "Megaproject" is still far from profitable.

The company could not say when profits would start. Losses in its components husiness, which are believed to arise largely from the Megaproject are still in the hundreds of million II. Mark range.

D-Mark range. Sales rise, Page 17 Siemens results, Page 21

Simplified regulatory guidelines planned by UK securities body

ments Board is planning radical changes to its conduct of busi-ness rules. The agency, which was set up under the Financial Services Act to supervise inves-tor protection in the UK, intends to make the rule book much simpler and shorter with effect from the early part of next year. Mr David Walker, tha new chairman of the SIB, said in an interview that the rule book,

which now runs to more than 200 pages, could be reduced very sub-stantially, to less than half the

He hoped that the change would lead to a "U-turn in atti-tude" on the part of the investment industry towards the new regulatory regime,
The conduct-of-business rules

cover the responsibilities of an agent to provide clients with the

comprehensive system of regula- Services Act at some future date, tion in a short time. He said but this was not an urgent priorthere was now clear scope for ity. some simplification.

study into the feasibility of simhest possible service in areas plifying the rules. The aim will such as execution and advice, be to start every rule with a clear statement of the general principle involved, followed where necessary by specific provisions and practitioners.

Sir Kenneth Berrill, who was replaced as chairman of the SIB by Mr Walker last month, was widely criticised in the City of London for what was said to be a rigid and bureaucratic approach to rule making.

Mr Walker said he planned to consult the various self-regulatory organisations on an informal basis before publishing the new rule book in draft form.

He said that a great deal could

He said that a great deal could be achieved without the need for Mr Walker praised his pre- any changes in primary legisla-dacsssor for the "formidable tion. There might be a case for achievements" of producing a some changes to the Financial

Monday interview, Page 11

KIO 'might consider BP to sell cut in BP holding'

BY NIKKI TAFT IN LONDON

KUWAIT'S central bank governor, Sheikh Salem Abdelaziz Al-Sabah, said yesterday that his country might be willing to reduce its controversial 22 per-cent stake in British Petroleum, the UK oil giant.

"The possibility is there. It all depends on market conditions," he said while stressing that it was a long-term investment.

BP, the world's third largest oil company, is known to be uncom-fortable about the £4bn (\$6.8bn) stake it was acquired in October last year hy the state-owned Kuwait Investment Office, after the UK Government's £7.2bn sale of BP shares flopped in the wake of that month's collapse in world stock markets.

Most of the partly-paid stock was left with underwriters who were happy to sell to the KIO at levels slightly above the 70p tem-

stake in offshoot

porary support price set by the Continued from Page I Bank of England. Sheikh Salem is on the board four miles away from Bingham

of the Kuwait Investment wholly owned with a projected Authority, the KIO's parent annual output of 75,000. in March, the KiO defied inforThe potential jewel in BF
March, the Riving Cov.
Gold's crown, and a mine which

mal requests by the British Government to limit its stake to 20 the first division of world gold that it would not take the hold-that it would not take the ho ing beyond 22.5 per cent. Then, in May, after strong rep-

resentations from BP, the Government asked the Monopolies sion to develop a mine is given and Mergers Commission to connext year, it should be producing sider the stake's implications between 400,000 and 500,000

midsummer. rather than autumn. about 150,000 ounces a year and Saudis plug Westland order are expected to lift output to gap, Page 8 300,000 ounces in the early 1990s.

BP has already spent \$60m on

The Commission was asked to ounces a year by the early 1990s. report within four months, but there have since been suggestions that the process may be its image as a US gold producer, are mines in South Africa and report available to ministers in Canada, which currently produce about 150 000 currently produce.

ist.
Mr Dukakis' attempt to settle on a vice presidential running mate have also been made more

However, when he widened his discussions to this year's beaten presidential candidates such as Senator Gore and Congressmen Richard Gephardt of Miss-

One reason is that the black civil rights activist collected more votes in the primaries. Some Jackson supporters would

Vice President George Bush may have worked for the Central Intelligence Agency in 1963, more than a decade before becoming its director, according to a maga-zine article that cites a recently

through a spokesman.

The Nation magazine, in its current issue, quotes a Federal Bureau of Investigation memo of November 29 1963, from the direc-

Soviet managers blamed in bank failure

Continued from Page 1

must be made public "to bring order into our own home."

The bank's failure has hitherto been blamed on the buge gold and currency dealing losses, put at more than SFr760m (\$500), incurred by Mr Werner Peterbans, the Swiss national in charge of the foreign exchange department. He was subsequently given an 18-month suspended given an 18-month suspended sentence for the falsification and suppression of documents in vio-lation of Swiss banking law. Yesterday's report accuses the

bank's Soviet management of creating "a whole financial mafia". It said "The activities of the bank management and particularly tha activities of the director, Mr Yuri Karnaukh and sev-eral of his colleagues went beyond the socially acceptable bounds of honour dignity and decency of the Soviet citizen

WORLD WEATHER

Kunayev, as well as for the heads of the Foreign Trade Bank and Gosbank, the soviet central bank. "It is difficult to say today if those for whom these gifts were intended actually received them or not," it says. In addition to "numerous hills for extremely

said that Mr Albert Makayev, the first deputy chairman of the Soviet Foreign Trade Bank, sent from Moscow to investigate the bank's affairs, found them "fatal in the literal sense of the word". The Soviet newspaper said that Before he died on arrival at his

99 New York 81 New York 90 Microba 91 Opento 64 Opento 65 Pane 81 Pelang 65 Prague 82 Pelang 64 Rendings a

expensive watches" it said there had been "the purchase by the bank of a painting hy a well-known Swiss artist."

Sozialisticheskaya Industria

must be made public "to bring documents gathered by the inves- Zurich hotel, he reportedly told a tigators listed gifts bought for a string of members of the ruling well there. It seems a whole gang polithuro, including Mr Brezhnev, Mr Grishin, Mr Andrei Kirilenko and Mr Dinmukhamed The report said that through Mr Peterhans the management of

Mr Peterhans the management of the hank became involved in speculative currency dealing, despite clear instructions from Moscow that all transactions must be covered daily. Instead, Voskhod bank was involved in deals up to a year ahead. "These people exchanged hon-

our and duty for the excitement of the game, gambling on their lnck, forgetting that their stakes were being made with state money," the newspaper said. It said Mr Karnaukh sought to blame an "imperialist conspir-acy" for the collapse, but "this acy" for the collapse, but "this version was subsequently, to the State Department on the rejected, because imperialism did not hinder one's own bungling."

Hovemoer 23 1985, from the director at the time J. Edgar Hoover to the State Department on the subject of the assassination of President John F. Kennedy.

Continued from Page 1

credible to the opposition and the public is now almost impossible. The big obstacle is Mr Cárated. It has never, of course, negotiated away real power.

central issue of last week's contest, and his position rests, ultimately, on public acceptance of the result as fair

Speculation was growing yes-terday about the role the army

Jackson tactics put pressure on Dukakis

By Lionel Barber in Washington

A MIXTURE of political grand-standing and behind-the-scenes pressure-tactics from the Rev Jesse Jackson has begun to rattle the Democratic Party's probable presidential candidate, Governor Michael Dukakis of Massachu-

With just one week to go before the Democratic national conven-tion in Atlanta – which will officially anoint Mr Dukakis as the party's nominee - Mr Jackson is still refusing to rally behind the Governor to unite the party.

One of the emerging sources of friction is the interest shown by

the Dukakis camp in Senator Albert Gore of Tennessee as a vice presidential running mate. Mr Jackson beat Mr Gore in the primary elections and apparently views the selection of the firstterm Tennessean Senator as a snub to his own candidacy. Mr Dukakis said at the week-

end that he still had to decide on a running-mate and on whether he would announce the choice before the Atlanta convention opens on July 18.

opens on July 18.

The Jackson campaign is also organising a series of events outside the convention hall, a symbolic challenge to Mr Dukakis's own nomination. Just to make sure that the TV cameras get the message, Mr Jackson will lead a bus tour this week from his home town of Chicago to Atlanta called the "Jackson Action Rainbow the "Jackson Action Rainbow All this suggests that Mr Jack-

son - who won 7m votes in the son – who won my votes in the primary elections but is seen as too left wing by many white voters – is having difficulty giving up his candidacy for president. For the Dukakis camp it is also a worrying echo of 1984, when Mr Walter Mondale wasted much gneroy in trying to secure an energy in trying to secure an unequivocal pledge of support from the black civil rights activ-

difficult by Jackson camp pres-sure. Last week, it appeared that Mr Dukakis was having second thoughts about Senator John Glenn of Ohio, the man considered to be the front-runner for

ouri - there was immediate bos-tile reaction from Mr Jackson's

like Senator Glenn to go on the ticket because it would free up a US Senate seat in Ohio. This would allow Congressman Louis Stokes, a senior black House Democrat, to make his bid for the

discovered FBI memorandum, AP reports from Washington. Mr Bush denied the report

Mexico poll row erupts

the big obstacle is Mr Cardenas' intransigence — a charactenstic wholly allen to the PRI's
culture which assumes that
almost everything can be a charactimes in the last month.

Gen Juan Arevalo Gardoqui, the Defence Minister, on Satur-But it was Mr Salinas who day reiterated that the army, chose to make clean elections the which has not played a front-line which has not played a front-line political role in Mexico for 50 years, was "100 per cent apoliti-cal" and that it is the CFE's job to decide who won.

THE LEX COLUMN

Picking winners in Tokyo

Foreigners have proved lamentahly poor judges of the Japanese
equity market lately; pilling in
before the crash, pulling out
afterwards and waiting until the
market had made up its losses
before going back for more. However, the latest figures – which
show that foreign investors have
once again retreated, and in June
sold a net £2hn of Japanese equities – at first sight suggest a
greater adroitness.

Since the beginning of May the
Tokyo market has gone sideways,
while equities nearly everywhere
else have risen by 10 per cent and

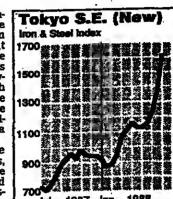
while equities nearly everywhere also have risen by 10 per cent and more. Japan's immediate prospects do not look good: the strength of the dollar has got everyone worrying about inflation "soaring" to 1 or even to 2 per cent, while the chances of a defensive rise in interest rates have increased. Already there has been a tentative tightening of has been a tentative tightening of monetary policy, and if the dollar goes up any further a more defi-nite rise in rates would seem

inevitable.

That, at least, is how outsiders seem to view Japan. At home, however, institutions have had little time for such macro fears, and have been have been making excellent profits from reorganising their portfolios instead. The horizontal progress of the market index since May belies record activity on the exchanges. In the last two months heavy capitalisation stocks have been bought tion stocks have been bought with a singlemindedness difficult to comprehend outsida Japan; indeed, foreigners seem largely to have missed the movement.

Most dramatic is the 70 per cent rise in the iron and steel cent rise in the iron and steel sector from pre-crash levels; with some of its constituents almost doubling in price over the past month. Quite suddenly, the market has grasped the earnings recovery in the steel industry, as reflected in British Steel's record figures last week. Tired of the blue chips, and wary of the financials, the weight of institutional money has been channelled into steel, and the overflow has sailt into alispbuilding and auything else sounding plausibly heavy.

If the Japanese institutions



ters is not the actual effect of a weaker yen on the economy, but how the locals feel about it. With soma \$9bn of equity-related issues to finance each month in Jepan, any sign that the institutions are looking overseas would be infinitely more damaging than anything the Bank of Tokyo could do on the interest rate

Jaguar

The market has been in two minds on how to value Jaguar recently. On one hand, the company looks a dead cart as a hid candidate, albeit not until the golden share expires 2% years from now. On the other, trading prospects are poor, and despite today's figures showing good sales growth in Europe and Japan, may be getting worse. The weakness in the US market has caused the company to cut its sales forecast this year by 2,000 cars, and the actual shortfall could be nearer 4,000. Six months ago Jaguar was expected to make profits of £120m this year, against £97m last; now it may be incly to make £30m, While the recent rise in the dollar may help matters a little, it is not the hiesding for Jaguar that it is often cracked up to be. The company has covered all its dollar exposure for this

have responded to the fall in the ket looked at Jaguar on its mer-yen by reshuffling their domestic its, and what it saw led to an holdings rather than hy diverting underperformanca against the them overseas, foreign investors market of 50 per cent within a should take note. So far there is year. But the rise in the shares no indication of an outflow of last week from 281p to 317p has no indication of an outflow of last week from 2019 to 3119 has capital — Japanese buying of for left any fears about the US careign equities is still far lower market some way behind. The than this time last year. Evicity is convinced that a bidder is dently Japanese investors think lurking, and is prepared to value all the old arguments for their Jaguar at about 12 times earn-own market still hold; and even if ings – nearly twice the multiple outsiders do not agree, what mat-suggested by its prospects.

But if the market is expecting the Government to do a Britoli and waive the golden share, it will surely be disappointed. Britoil's golden share was bungled in construction. Jaguar's is not; and it is surely inconceivable that the rules would be changed to allow one of the proudest gems of privatisation to fall early to a predator. It is slightly easter to imagine that a bidder might be building up a stake early to avoid disappointment later. After all, Jaguar is the last of the big independent luxury car producers, and must look tempting to any of the volume manufacturers. But it is not clear why a bidder should do so now. The shares are well above their lows, and if the market and the surely should be a surely to any of the shares are well above their lows, and if the market and the surely shares are surely and the surely shares are well above their lows, and if the market surely sur above their lows, and if the mar-het continues to swing between valuing the company alone and valuing it as part of another conpany, tha price is also much higher than it will be when tha current excitement dies.

Programme Trading

Nine months have passed since the October crash, but the pro-cess of apportioning blame for the event is not yet complete. Although the causes and the cure for volatility in US stock and financial futures markets will be debated for some time to come, tha focus of criticism seems to be shifting away from programme

trading.
It was therefore neatly appro priate that Barclays de Zoete Wedd should launch a new index arbitrage service last week in London on the same day that New York dropped its 50-point limit on programme trading. The BZW product is aimed mainly at institutional investors - proba-bly a good thing, as retail inves-tors on both sides of the Atlantic will no doubt take even longer to overcome crash-induced preju-dices about the practice than they took to understand its work-

ings in the first place.

It seems likely that others will follow BZW's lead, but the issue need not become as pressing as it is in New York. The chief worry in the US market is that private clients are beingdriven away by the arcane workings of tha demon computer; most big firms in London seem more concerned with ridding themselves of private clients than attracting them. More fundamentally, only around 1,000 FTSE index futures contracts were traded on a typical day last week; and whatever happened in New York on October 19, the London market simply could not accommodate a stam-

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We acted as financial adviser to the controlling shareholders

poster :

FINANCIAL TIMES



Nearly everything seems possible for the Japanese now as the country basks in huge prosperity, and

praise from abroad as its markets open. More change is in prospect and the agricultural and taxation systems in particular are ready for reform. lan Rodger reports.

Stimulus for the world

makes! Last July, Japan was in deep trouble. At home, its economy was sagging under the negative effects of the high yen. Abroad, US Congressmen were smashing Japanese radios on the lawn of Capitol Hill to vent their anger over the country's seemingly relentless mercantilist

Today, Japan is basking in the warmth of unprecedented pros-perity at home and praise from abroad. Its huge economy is booming and its markets are opening, providing a welcome stimulus for the world.

Its government has settled most of its international disputes with unexpected speed and grace, and is now eagerly feeling its way towards a key role in the leadership of the world.

As for the Japanese people themselves, they are showing an exuberant confidence reminiscent of that seen in the US in the early 1960s. The young, unbur-dened by history, seem especially confident, aggressively question-ing anachronistic traditions and

And why not? For the Japanese in the late 1980s, nearly everything seems possible — lots of non-inflationary economic growth, plenty of good jobs, leisure time and facilities.

Tokyo, which only a few years ago was a parochial capital where it was hard to find a sandwich, has become an international crossroad city, offering the best and the latest of the world's goods, services, ideas and trends—at admittedly very high prices—to an increasingly sophisticated public. cated public.

It would be premature to suggest, however, that Japan is entering a golden age. There is as yet little sign of any explosion of cultural creativity in the country, although the conditions are cer-

tainly favourable.

The best of Japan today is still in commercial and industrial art, at the service of the country's economic powerhouse.

Unfortunately, this exhilarating atmosphere is about to be darkened somewhat by a few that have developed. The Governnasty rows. Partly because of ment is setting out today to
their new prosperity, the Japanese are finally having to deal
with some deeply-rooted structhe finally having to deal
areas. A special session of the
with some deeply-rooted structhe finally having to deal
areas. A special session of the
year, there are more salaried just may be willing to break the

While the Japanese were bending all their efforts to rebuilding the economy after the 1939-45 War, problems in these areas were either not apparent or could be ignored. Today, they are wid-ening the gap, at a dangerous rate, between haves and have-

mountainous islands, the Japaness have prospered and maintained social order in the postwar period partly because of a flercely egalitarian distribution of earnings and wealth. The earnings of the typical company president are only seven or eight times greater than that of the

But the rich have become sufficiently numerous and influential that it will be politically very dif-ficult to remove the distortions that have developed. The Govern-

tural problems — in agriculture, late a major overhaul of the tax workers in Japan and fewer farmable the distribution system, system.

The problem with Japan's tax above all a pragmatic party of system is that it puts a disproporties.

The problem with Japan's tax above all a pragmatic party of foundations of the LI system is that it puts a disproporties.

While the Japanese were bending all their affords in valuables.

The problem with Japan's tax above all a pragmatic party of foundations of the LI ing. LDP politician is the put of the problem with proposition parties and corporations while the problem with Japanese were bending all their affords in valuables. leaving farmers and other ties are still vehemently opposed self-employed groups under-to it, not because they oppose taxed. reform itself, but because the

The ruling Liberal Democratic Government has decided to offset Party (LDP) has tried three times the much-needed reductions in in the last decade to reform the income and corporate tax rates system, but on the previous two mainly through the introduction occasions it has had to retreat of a consumption tax.

Page 2: The Civil Service EPAGE 4: Politics EPAGE 8:

mainly because of opposition
from within its own ranks. Farmers and small businessmen form
The opposition sees this as regressive. By tradition in Japaners and small businessmen form two pillars of LDP support.

This time, it appears that LDP unity has been achieved, thanks

does not take advantage of its majority to ram through legislation if all the opposition parties

Facets of life in Tokyo: Left: Commuters jam aboard a

train at Shinjuko Station; Above: College students at a vending machine; and, right: Child sitting in a park

JAPAN

If he does, it could shake the foundations of the LDP. One leading LDP politician has predicted that the entire Cabinet would have to resign if the tax reform failed. This would be a big blow, coming less than a year before partial parliamentary elections

The Government is faced with many other controversial items these days. It has just managed to get through the annual negoti-ations with farmers on the support price for rice with surprising

reformed, but momentum for change is building. So too is the pressure for improving land use. it of the Japanese construction market for foreign contractions. the current tax reform package to . Even US diplomats in Tokyo revise inheritance taxes in such a have been startled by the results way as to discourage land hoard- to date on these and other bilat-

prices of property in Tokyo and a in the world. few other large cities. The land price problem not

only prevents people from buying homes, it also stops the Government from progressing with the task of bringing the country's shabby infrastructure up to industrial country standards.

preoccupations may take the focus off the increasingly apposite question of Japan's role in the world.

In the past few months, Mr Takeshita has more than lived up ease, winning a 4.6 per cent to his reputation for being able to decline after last year's six per make the Government reach diffi-There is still a long way to go two agricultural trade disputes before Japan's grotesquely inefficient agricultural sector is liquor tax dispute with the European for the form of the first open for the f cult decisions. He has resolved

> eral issnes. Japanese leaders have also begun to show a real enthusiasm for fulfilling the

Mr Takeshita himself has made seven official overseas trips to 12 last November, and has launched new policy initiatives on rela-tions with Western Europe, on Japan's role in international peace-keeping efforts, and on aid to developing countries.

It is now clear that aid will be a pillar of Japan's foreign policy for some time to come, not least because of the need to recycle the country's huge current account surpluses. Meanwhile, the Foreign Minister, Mr Sosuke Uno, has been assiduously cultivating relations with neighbouring Asian countries, which are gradually forming an Asian economic

bloc around Japan. Mr Uno has also just returned from a visit to the Middle East. including a first-ever visit by a Japanese Minister to Israel, indic-ating that Japan is at long last ready to become involved in the Middle East peace process. How-ever, the Government still remains timid about advancing its views, if it has any, on global



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Profile on one of Japan's new-style politicians

A rising young star

THE EXECRETARY to Mr Kunio Hatoys ima, a rising young star among young LDP Diet members, wears spiked high heels, a tight dress and bright pink lipstick.

She still serves the green tea, of course, and bows deferentially as she leaves the room. But she is not your average Japanese secretary. Mr Hatoyama, nowever, is not your average Japanese politi-can. Nonetheless, his breed is on the increase in Japan. Within 10 or 20 years, his kind may be run-ning things in Japan.

Just 39. Hatoyama is a well-

connected young politician. He is the son of a former Cabinet minister, grandson of a former Prime Minister of Japan, and through his mother, he is part of tha wealthy Ishibashi family, which founded Bridgestone, the tyre

As a result of his mother's wealth, Hatoyama could have easily chosen an easier life than that of a Japanese politician. But meeting him, it is easy to see that he shares the love of adulation and action which characterises politicians everywhere.

While answering a question, for example, he manages to tell a nearhy photographer that his lens' cap is still on. Then he straightens his tie and smiles

Hatoyama lives in relative luxury in a large house in central Tokyo. He leaves his home about 7.30 a.m. and arrives LDP head-quarters by 8 a.m., where he usually attends two back-to-back akfast meetings. Breakfast is Japanese-style - miso soup, green tea, fish, rice and pickles.

Despite his notoriety for speak ing his mind, even in defiance of his party, Hatoyama's day is typi cal of the average Diet members. After breakfast meetings, he gets to his small office in the members' building behind the Diet and sees government officials and constituents until noon (if the Diet is not in session.)

Usually, his faction of the LDP. the Takeshita faction, meets at lunchtime, where they eat cold Japanese or Chinese food out of lunch boxes. If the Diet is in session, that takes up the afteroon. If not, it is back to his constituency in Tokyo, where he meets people to discuss their problems. Evenings are generally taken up by meetings, with constitu-ents, Diet members or hureau-

"Sometimes I have three meetings every evening, so my work is never done and I have no time to play," he says.



congressmen, at night often hold debates with other congressmen, or organise debates for their constituents. Here, we just go to meetings to shake hands and drink sake to each other's health. That is what is important," he

says.
This press-the-flesh action can go to extremes. In the New Year period, he says, he may attend up to 300 parties, sometimes as many as 12 in one even-

Despite this schedule, Hatoyama has a wife and three children - "I see them once in ten days, or on Sunday evenings," he

"The other day I read that US when I wonder if there is another course for my life, with more pri- Japan will not have a strong per-vacy so I could do more of my sonality at its helm. "So our favourite things and see more of international role does not look my family. But policy is the prin- so bright. But, if our politicians cipal matter of the nation.

> related to the policy and politics our role."
> of the nation. Yes, there are a lot Mr Hat of sacrifices. Some day, I hope my four or five foreign trips a year, children will understand." but, "for that, I need to be stron-Mr Hatoyama is well aware ger in my constituency," he says.

that his outspoken manner of younger children, who are speaking will not necessarily put enrolled in schools in Portland, him into the Prime Minister's Oregan. slot any faster. "But I cannot stay quiet just tional," he says proudly.

for my promotion," he explains. In fact, I was quite

against the Government's tax plans, and that opposition has slowed my promotion. I say what

"In that sense, yes, I am unusual But of course, Japane people are changing and young politicians are different today. "Still, they sacrifice too much for promotion. I hope I'm part of a new trend, but I'm afraid that

trend is only just beginning," he He is also aware that the Japa

nese system, which fosters a sort of blind respect for the party elders, is not good for developing leadership qualities.

"Economically, we are getting to be the leaders of the more!" We to be the leaders of the world. We can see the figures, GNP, trade balances. These figures tell us we are strong. But whether we can be political leaders of the world,

we do not know. I do not think we know international politics very well," he says.
"In order for Japan to take a greater role, we should make more efforts, not at economic summits, but as Japanese Diet members to European politicians, meeting each other and exchanging ideas. We should work together to create an important

role for Japan in the interna-For peace and disarmament, I think we could put more effort into this, America and the Soviet Union have a lot of discussions but they should not do this them

"We should convey our opin ions to the US and the Soviet Union. We should speak louder,"

Japanese prime ministers, he said, should be able to shuttla between the US and Soviet leaders. To do this, however, he says, Japan needs a strong leader with

a vivid personality. He predicts that for a while. go abroad and speak on the inter-"I have the feeling that I am national stage, we can increase

Mr Hatoyama would like make that the average age of a Japa-nese LDP Diet member is 62 and the meantime, are his two

They will be truly interna

Carta Rapoport

A first-hand inside view of Japan's civil service

Not an isolated entity

ees work long hours.

The extent of Japan's success as a country is now well understood. It is also widely accepted that this auccess has been achieved with the backing of the highly professional and effective. highly professional and efficient

As a result of a recent secondment in the Japanese administra-tion. I now understand a little better how and why the Japanese system works in many ways bet-ter than those in Western coun-

Many people still think of the Japanese bureaucracy as an all-powerful, but nearly invisible hand organising things in minute detail through all kinds of

devious means. In fact, technical ministries like MITI are dominated by generalists, usually law graduates from the University of Tokyo who are not qualified to do any highly technical meddling in the way companies or other organisations operate.

That being said, and Japan being Japan, the viewpoint of the administration is never discarded

Also, the Japanese administration faces many of the same challenges confronting Western bureaucracies these days - such as deregulation and privatisation. The role of the Japanese administration is changing from one of power to one of influence. The economic ministries have lost not only regulatory powers but also financial muscle.

Meanwhile, the tremendous strengthening of the private sec-tor has made companies less dependent on external capital, access to which the administra-tion used to control, and facilitated their access to the now open financial markets for whatever needs they still have. In my brief experience, the

most striking characteristics of the way the Japanese administra-tion works includes its intimate involvement in the real decision making process. Like any other administration, the Japanese one is not an isolated entity, detached from private concerns or political

However, Japanese civil servants differ from their Western tr counterparts in making no claims me

DEMORALISED civil servents of to being above the fray. They do the world should be sent to work not try to define their work as for a while in the Japanese separate from these influences. administration. It is prestigious, Thus, discussions with pressure it offers brilliant career prospects, and is entirely managed by the ministries. However, employ-

> Japan; the administration's power has never been very technocratic.

The quality of information and the speed of its circulation has photocopying machines working overtime in the Japanese minis-

tries. The Japanese view is that Japanese administration has an intimate

The fact that officials talk more with each other eases the formation of consensus. The system is slowly changing as a result of the introduction of Japanese language word processing

attributable to cultural factors and to fundamental differences in the way the systems work.

The Japanese administration works on a strict seniority system: one's assistant can never be an enemy or a competitor so there is no point in trying to block his access to information. Hearding of information is also impeded by the physical proximity of officials in Japanese minis-

try offices - being seated within five feet of one another makes virtue a sort of necessity. The personnel division in each ministry is very powerful. Some of the best and the brightest are supposed to go through this division at some point in their careers. Ministries think that their future depends in part on a

very valuable on the "information market". By the age of 40, a MITI civil servant may have had experience in working with the electronics industry, GATT affairs, export credit, small and medium size try as, for example, in the recent enterprises, the petroleum indus-

try and research and develop-

students recruited in the best time consuming process are usuuniversities are sent, after three to five years, to study in the United States, France or the UK.

As a result the Japanese administration of the Japanes sometimes more than half of the

ten materials, the Japanese one depends mainly on oral commu-nications. This is due to cultural

factors, such as the importance of personal relations and technical ones and the absence of Japanese

involvement in real decision-making processes.

information is a prerequisite for language typewriters. It has both the mutual consent of all parties positive and negative conseinvolved in a decision.

Quences.

Japanese civil servants who have worked in international organisations with European coldegrees say that they were sur-prised to discover that informa-tion was often circulated by the highest rank of the hierarchy only on a need-to-know basis. This difference of attitude is

The constitution of the Fifth of antibureaucratic feeling and Republic in France shifted the the tide of deregulation.

The best and the brightest are still entering the major minis--institutions from Parliament to the executive hranch. As a result, the French Administration's less regulatory powers and will interface with Parliament is not not have the option of jumping wery important. Japanese officials, on the other hand, spend a large part of their time on subjects related directly or indirectly to demands emanating from the Thet.

In Japan. everyone seems continued to the private sector at mid-carrier. But they are confident in the ability of their ministries to provide them with a challenging to demands emanating from the large.

In Japan. everyone seems con-

Following the US pattern, offitials meet frequently with Diet that are not basic to the state, members and are often called to the administration will go on appear before Diet committees. The administration is also surprisingly close to the press. Many journalists have offices provided

Prime Minister's office which is the stuff that Japanese society arbitrates. In Japan, ministries is made of.

Will discuss a matter as long as it takes to reach a compromise.

Asking are the stuff that Japanese society is made of. personnel policy that will give a uniquely broad experience to its civil servants and make them

on the men't of one scase is per-reived as an admission of failure. the first half of this year on sec-This also applies within a minis-ondment to the Japanese Governstruggle between banks and the istry of international Trade and securities companies over the industry (MTT) and three months shape of Japan's futures and in the Ministry of Finance.

Between a third and a half and options markets.

Attempts to short-circuit this Attempts to short-circuit this

As a result, the Japanese admin- other than a purely technical istration is one of the most one on the other hand, there are As a result, the Japanese administration is one of the most one. On the other hand, there are many committees whose only many committees whose only purpose is to bring forward new ideas. Reforms are proposed by valuable source for information.

While the French administration, because the responsibility is colinarised by them the proposed one one. On the other hand, there are one. On the other hand, there are many committees whose only many committees wh

lective and people move frequently from one job to another; quently from one job to another.

This pattern is supported by scrap and huild laws which require ministries to scrap the require ministries to scrap the creating new ones. The process of change is thus continuous, avoiding the need for, or fear of, any large scale overhaul which would threaten morals. There are no

vested interests.

The result of all this may not be a perfect administration. The Japanese ministries have made mistakes, just like their counterparts elsewhere, but the system also produces visions and incentives. One does not find in the Japanese administration the anxiiety that prevails in other admin-istrations buffeted by the winds

in Japan, everyone seems con-vinced that even for functions serving a useful purpose. This might be due to the still prevail-ing feeling of vulnerability to for-

within the ministries:
It is certainly deviate excellence of the civil servants. In the French decision making excellence of the civil servants and the ability they have demonstrated and the ability they have demo

Asking someone else to decide D The author, an official in the ment - three months in the Min-

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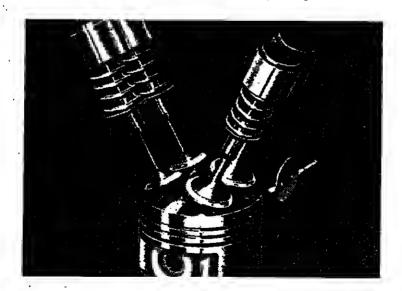


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Politics - breaking the mould

Risks in tax reform

said that the fate of his administration hung on the success of his plan to carry out a fundamen-tal overhaul of the country's tax

system this year. To analysis of politics in other democratic societies, there is nothing particularly surprising or unworthy about such a statement. Democratically-elected gov-ernments are supposed to rise their major policies to their peo-

But in Japan, this declaration which, as it happens, is an accurate one — is almost revolu-tionary. Japanese politics have been about many things in the post-war period, but they have almost never been about policy. Ever since the Liberal Demo-cratic Party (LDP) put its vice

Ever since the Liberal Demarkatic Party (LDP) put its vice grip on the reins of government in 1955, no administration has fallen over a major policy issue.

Today, however, no one doubts that the Takeshita administration has put its life on the line for the line fo scarcely more than a year in there has been little criticism of gloves are coming off in public.

office. If it succeeds, he will this coalition, as it fitted peralmost certainly be awarded a fecily with the broadly-based con-second two-year term, will lead sensus in Japanese society that when the Ministry of Finance his party through the next partia-the important thing was to get on began to worry about the stabil-

outcome of the tax reform debate is far from certain. It has not selves and their supporters, the been settled in the typical Japanese way in the smoke-filled rooms of Nagatacho, Tokyo's is on a scale thet is hard to image to boost Indirect taxes, mainly selves and the businessmen.

Corruption in Japanese politics is on a scale thet is hard to image to boost Indirect taxes, mainly selves and the support of the selves and their supporters, the graphic patterns, would emerge in the late 1890s.

An attempt was made in 1979 is one a scale thet is hard to image to boost Indirect taxes, mainly selves and their supporters, the graphic patterns, would emerge in the late 1890s. is far from certain. It has not been settled in the typical Japa-ness way in the smoke-filled rooms of Nagatacho, Tokyo's

political quarter. strongly opposed to it, and many special interest groups are fightspecial interest groups are fighting it tooth and nail. By all
but simply as rewards for long employed people who did not
service to the narty.

want to be brought into the tax reform in the Diet (Parliament), are expected to run for about three months, will be extraordi-

narily heated and unpredictable. Is this situation an aberration, or is it an intimation that the post-war mould of Japanese politics is finally beginning to crumble? It would be a brave analyst



Noboru Takeshita: putting himself on the line

However, politics do not exist net. which begin in a few days and in isolation from the forces at By the mid-1980s, the situation are expected to run for about work in the society, and Japan's was becoming more urgent and three months, will be extraordisciety is changing rapidly in was coupled with increasing preswho would make a firm prediction either way, but there are some interesting trends worth examining.

Japan's post-war politics have been based up to now on a coalition of business and farm interesting trends worth that Japan is an economic power been based up to now on a coalition of business and farm interesting trends worth examining.

Japan's post-war politics have that Japan is an economic power an appropriate strategic and militimates and part of the country is not together a nackage of reforms.

Manually interest and that would atting it on for at least together a part was humiliating defeat from within factions of his own and that would atting it of the came to the country is an economic power and part of the country is not together a nackage of reforms.

ins party through the next partiamentary elections, and will be
assured of a place among the
country's most distinguished
leaders.

Moreover, Mr Takeshita is by
no means putting his prestige on
the line for a sure thing. The
the politicians were left to get on
with it, or rather to stand aside
and let the bureancrats get on
with it. In these circumstances,
that this would not be adequate
the politicians became mainly
the important thing was to get on
the stabiltive and adequacy of its revenue
sources. The tax system was, and
the important thing was to get on
the stabiltive and adequacy of the revenue
sources. The tax system was, and
the important thing was to get on
the important the form the important the sources. The tax system was, and
the i

olitical quarter.

The opposition parties are all and is accepted as being normal. sales tax, but it was quickly scuttrongly opposed to it, and many pecial interest groups are fight-because of their virtues or vices mainly farmers and other self-

many important ways. The farm sure from foreign governments to population is contracting rapidly, reform a number of taxes which and most farmers now spend discriminated against imports, only a fraction of their time on Mr Yasuhiro Nakasone, Mr Takthe land, the rest in salaried jobs. eshita's predecessor, made White-collar workers form an another attempt to bring in tax

ests, represented since 1955 by tary role for the country is put together a package of reforms

build around the introduction of a 3 per cent consumption tax. Long famous for his consensus-building skills within the LDP, he has worked long and taxes on cars. How does he achieve it? An American might assume apparently effectively to win supthat he buys himself the best pos-

port within the party and to explain to the public the need for By tradition, if all the opposi tion parties are opposed to a measure, the LDP does not try to use its majority to force inrough a piece of legislation. Thus, in a case like this one, the LDP's job is to try to pry one of the opposi-

In this instance, it is going after the Democratic Socialist Party (DSP), the third largest opposition grouping after the Japan Socialist Party and the Komeito (clean government party). The DSP has close links with some of the larger and more conservative trade unions in the steel, automotive and electronics

tion parties away from the oth-

DSP leaders are being reminded that these industries will benefit from the tax reform because the current commodity taxes on their products, which are very high, would be removed in favour of the 3 per cent consumption tax.

DSP leaders are now negotia-ting conditions with the LDP under which they might be pre-pared to withdraw their opposi-tion to the tax reform legislation. If no deal can be reached, then

the LDP will be in trouble.
It remains to be seen whether or not Mr Takeshita will have the audacity to break the mould and push through the reform without any opposition support. But some observers think he will, simply because he has nothing to lose.

The traditional response would be to shelve the tax reform, but that is not really an option. Next year, there must be elections to fill one third of the seats in the Upper House of the Diet and Mr Takeshita would like to take advantage of the opportunity to repeat Mr Nakasone's exploit in 1986 of holding Lower House elec-

tions at the same time.

Double elections tend to favour the ruling party, and a good result would secure Mr. Takeshita's own reappointment by party leaders to a second term as party president and Prime Minister. In any event, it would be politi-

cally difficult to be legislating tax reform in an election year, so postponement would mean putting it off for at least two years. And that would represent a humilisting defeat for Mr Takeshitz. Thus, the stage is set for an unusually interesting autumn

Politics - getting things done THE PRESIDENT of one of Japan's largest motor companies wants to see lower commodity

How the lobby works

Then, he explains, "You must find the correct route to approach Mr Sadanori Yamanaka, head of the LDP tax commission. After this, you mobilise your juniors to talk to Mr Yamanaka's juniors. Vice-ministers and various Diet members. Then, there is an atmosphere thet tax reform in this area must be made," he says.

sthe lobbyist, gives him a lavish apones account a large staff, a good address and waits for the results.

Someone from England might style the carmaker to call in some MPs and push for a new plees of legislation on the matter, in consultation with Whitehall officials.

In Japan, no matter who you are, if you want something out of Government, it is you who does the running.

Mr Kaoru Yesano, 49, a long-serving LDP Diet member and director of the LDPs Commence and Industry section, explains it this way. "First, you have to run first stop is the Ministry for International Trade and Industry. "Then, you go to the Prime Minister. But he won't do anything. Then, the Miti Minister. Secretary General of the LDP and Finance Minister. These visits, all in person, not on the phone, are a preceduals for the next manoeut."

Then, he avalation with a position of the phone, are a preceduals for the next manoeut. There, was a precedual for the next manoeut. Then, he avalation for the phone, are a preceduals for the next manoeut. Then, he avalation for the phone, are a preceduals for the next manoeut. Then, he avalation for the phone, are a preceduals for the next manoeut. Then, he avalation for the phone are and the content of the care o

another government Minister, out "industry chief or constituent, Politicians do not have highly-

another government Minister, out."
Industry chief or constituent, exhanges some brief greeting and educated aides to help them get then turns back to his guest.

Zoku, literally political tribes, mer Prime Minister Yasuhirozare gaining in power in a number Nakasone's battle against the of key areas, however. "The cenbureaucracy failed," says Mr Incorn the bureaucracy to the LDP. sone's attempt to secure an over-Now, Finance Ministry officials haul of Japan's educational must go to the LDP about the system and the country's complibudget, not the other way round. cated administrative procedures.

Mr Yosano points out that where zaku is staffed by respected politicians, it is usually very successful. Zoku fall into trouble when it is clear to every-one that the politicians are merely in the pocket of the indus-try, which was the case for the life insurance zoku, for example.

Even in the cases where the solut is relatively powarful, such as in agriculture, cartain changes take a very long time. They (the agricultural zolus) know that the rice price is too high. They have come to the conclusion that we cannot avoid liberalisation of this

"But the whole process although it appears furnly to you, is a process of persuasion of the farmers while, at the same time, saving the faces of the politicians, he says.

They are fighting a war which they know very well they will lose, but the important thing is how they will lose," be says. This process can take a long time, but it keeps conflict to a minimum.

Is this system frustrating? There used to be constant criti-cism that our political system was inefficent and foolish. But I'd like to know how our economy can continue to flourish with such a bad political system," Mr Yosano says with a smile.

Carla Rapoport

Civil service careers

An escalator to heaven

In his 19 years in the powerful Ministry of International Trade and Industry, Mr Tadakatsu Sano has ascended several flights on the Japanese civil service escala-

So far, promotions based solely on seniority have brought him to his present position: kacho, or director, of the exploration division of the Natural Resources and Energy Agency's petroleum

From here on, however, nothing is automatic. Nearing the top of the pyramid, there is room for fewer and fewer climbers on the stairs, and time ticks away inexo-

There are no short cuts to the floors and in other ministries top civil service position in Miti throughout Kasumigaseki.

- Vice-minister, comparable to a Tokyo'a Whiteball. Apart from

"AS ALWAYS our rule is up or Permanent Secretary - or to the two postings to Paris, Mr Sand out."

11 directors general immediately has worked throughout his

below him.
For his efforts so far, Mr Sano now occupies a desk in one cor-ner of an office shared with his 13 staff. Small gun-metal desks are arranged in groups of four and six on the scuffed blue linoleum

Mr Sano's deputies air at desks parallel to his, backs to the single wall of windows — with venetian blinds in varying states of disar-

They face a door all but obscured by a bank of filing cabinets. A shared IBM PC is the only

computer terminal in the room.

The pattern is repeated in rooms on this floor, on other

career in just such an office, either in this building or in Mit's other block across the car park. Like other civil servants, he

has slowly moved away from the most junior positions near the door. Only at the next grade, bucho, director of a department, could Mr Sano expect to have an office of his own. That is six or seven years away, a minimum of 25 years after his joining Miti and no more than eight years before

is enforced retirement. In the close humidity of a rainy In the close humidity or a ramy season which has not yet lived ordinary than most. Two days up to its name, Mr Sano and his previously, there had been a previously, there had been a major resimifie within Mit. No staff are working in abirtsleeves. Some have rolled up their sleeves and occasionally disturb the warm air with a wave of paper fans, on one of which is printed

On many days, they would be processing applications and answering queries about oil and natural gas exploration both at home and abroad.

Mr Sano himself would receive visitors both from elsewhere in Miti and from the companies seeking his advice. On this day, however, he and his staff are more concerned with what he describes as "inner business."

"Every day is completely differ ent - you cannot say any day is ordinary." says Mr Sano. How-ever, this day is perhaps less fewer than one-third of the Minis try's 2,220 staff had changed jobs

Continued on page 5



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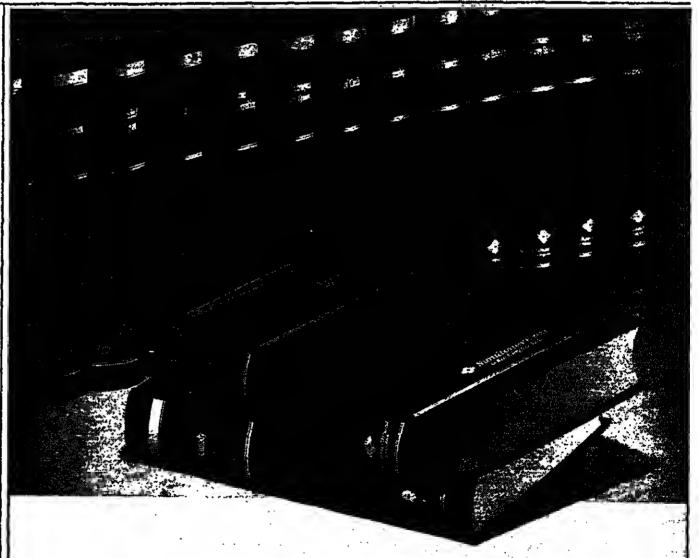
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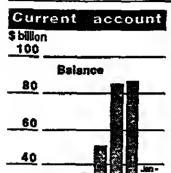
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"FOR THE first time Japan can say that it is implementing the ideal pattern of growth and adjustment as a surplus economy," says Mr Takeshi Ohta, Deputy Governor of the Bank of Japan, underlining a new sense of achievement among Japanese policymakers about their man-

gement of the economy.

For once, Japan has managed to grow its way out of trouble, Mr Ohta says there are four not by stimulating exports but by main reasons for Japan's better

pumping up demand in its own domestic market.

Spurred by surging domestic demand, economic growth in the first quarter of this year soared to an annualised rate of 11.3 per cent, the best quarterly perfor-mance for 11 years and a far cry from the recession that seemed to

the expectations of even the most optimistic pundits who saw domestic demand begin to take off in the second half of 1987 on the back of an easy monetary pol-icy, rising stock market and a boom in housing starts.

This had set the economy on

an upward course even before the Y6,000bn emergency reflationary package announced by the government last Autumn which helped to fuel consumer confidence further. dence further.

The Economy

Growing out of trouble

from the recession that seemed to be staring Japan in the face a year ago in the wake of the rapidly rising Yen.

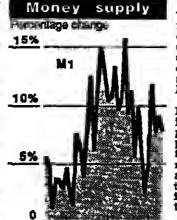
Behind this headline figure, however, are two lingering worries: first that runaway growth could rekindle inflation; and second, that the impact of high growth on Japan's large trade surplus has so far been disappointingly modest.

So far this year, Japan'e economic performance has defied the expectations of even the most

growth rate a self-fulfilling prophecy. "I'm convinced that a key to the recovery of confidence was the government decision to undertake to stimulate spending rather than the spending itself, says Ms Elizabeth Saccente,

says his Elizabeth Saccente, senlor economist at Citicorp Scrimgeour Vickers.

According to the Economic Planning Agency, one of the main forces behind the fast rate of growth late last year, housing starts, has shown signs of softening. But consumer spending continues very huovant with heavy tinues very huoyant with heavy



demand for consumer durables even at the lower quality end of the market spurred by an infinx

Meanwhile industry has begun to invest in new plant and equipment to meet this new found demand. According to the Bank of Japan business plans to raise capital investment by 18.6 per cent this year, something which should sustain the recovery into later quarters.

For fiscal 1988 which ends in March next year, the government is forecasting a growth rate of 3.8 per cent. In the light of current performance most economists say this now looks too low, and estimates are beginning to come in mates are beginning to come in around the 5 per cent mark. But the general consensus in Tokyo is that the growth rate will begin to slow as the year wears on.

Among the reasons advanced for this by Mr Kaznaki Harada, Chief economist of the Sanwa Englishment in home. Bank are the slowdown in hous-ing starts and the fact that the government will not need to repeat its emergency spending programme in 1988. Others are also worried about inflation.

inflation, many see it being forced to tighten monetary conditions slightly later in the year. "They will do what is known in the US as anugging," says Mr Junichi Nishwaki, Chief Economist of Mitsubishi Bank, which recent nudding money warket

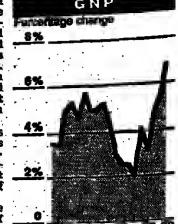
means nudging money market rates gently upwards. The key M2 money supply indicator which includes certificates of deposit grew by 11.4 per cent in May, below its peak rates of sround 18 per cent in the final quarter of 1987, but still a rate that many consider to be on the

a low 2.6 per cent, but there is a labour mismatch between some older industries such as shipbuilding which have been forced to reduce their workforce and Though the Bank of Japan professes in be unconcerned about inflation, many see it heirs

Meanwhile the trade surplus continues high. Though imports have been growing fast, particu-larly from the newly industria-lised Asian economies, export volumes have shown signs of

covering.

One reason for this is the appreciation in the currencies of Taiwan and South Korea this year which has restored some



of deposit grew by 11.4 per cent in May, below its peak rates of around 13 per cent in the final quarter of 1967, but still a rate that many consider to be on the high side.

Coupled with recent signs of rising international commodity prices, particularly for metals and foodstuffs, this is likely to push consumer prices slightly higher. The acceleration in inflation is likely to be modest, however, as wages are still growing only slowly.

Japan's unemployment rate is remainded to the competitiveness to Japanese of particular by the competitiveness to Japanese of particular by the tax reform planned by the ruling Liberal Democratic Party will not change much in this needly formed production units needly formed production units abroad. Though the the development of foreign manufacturing should eventually help reduce a Y5,600km cut in personal tax, the revenue will be recouped by a 3 particularly to be modest, however, as wages are still growing only slowly.

The Sanwa Bank's Mr Harada consumption tax becomes effect on the balance of payments to drop only modestly in the current fiscal year to around \$860m.

Elegant descent



Continued from page 4 all in one day with no advance

If a new staff member had been assigned, Mr Sano would have spent three years attached to the had no say in his or her selection. Japan External Trade Organisa-

There is also no question of applications being invited for education, a factor which often vacancies; "We do not like to leave any posts vacant," Mr Sano explains.

"I can be an actor if you want

vacancies; "We do not like to leave any posts vacant," Mr Sano explains.

One reason for the extent of the recent reshuffle was the retirement of Miti's Vice-minister. After 33 years in the civil service, he had to go: there are no exceptions. Normally, the retiring Vice-minister will go to a second career, through a process known by the elegant term anakudari, meaning descent from udari, meaning descent from

tocol of seniority must be recog-nised even for figures of this stature) with the unspoken prom-

ise of preferment to come. Because of the senior staff changes, Mr Sano's section was busily engaged last month in preparing written reports about the division's activity for the new euperiors. He expected at any time to be summoned by the bucho to give a full statement of

affairs.
Although the new bucho would be a 25-year veteran of Miti, there was no guarantee – even under the rotation system - that he would have had any first-hand administrative experience of petroleum or even natural resources and energy. Since joining Mitt in 1963, Mr Sano has had 11 different jobs, for periods ranging from nine months to three

After his initial assignment to the International Trade Policy Bureau, he was seconded for 18 months to the Organisation for Economic Co-operation and Development secretariat in Paris. Such secondments – and similar graduate study sabbaticals – are viewed as nentral in terms of career progression. Mr Sano returned from Paris as a kakaricho or assistant to the deputy director, in the heavy industry

The title recognised only that he, as a "first-rank" entrant based on his university examinations, had been with Miti for three years. The "first-rank" are the elite stream of Miti, comprising less than 5 per cent of its total staff; only they have any chance of advancing beyond kacho at any time in their career.

A second-rank entrant, for - all in one day with no advance notice.

The rotation itself was unremarkable; each civil servant is moved every two years on average throughout his or her career. The scale of the changes, however, had been surprising, as was the fact that the agency's director-general, his deputy and and heads of all three departments petroleum, coal mining and public utilities had all been moved at one time.

Amid all this movement, it was a matter of coincidence that Mr Sano's division - 11 men and two months pass with exactly the same complement, Mr Sano himself had been kacho of this department for only one year, so a move this time would have been unexpected.

If a new staff member had been in advance cample, is likely to take 10 years simply to reach kakuricha. As a law graduate of Kyoto University. Mr Sano is also in a small minority among the Miti first-rankers — of which 90 per cent graduate from Tokyo University. Mr Sano subsequently became kacho-hoso, deputy director, first in the mining division and then in the West European division of the trade policy hureau, the iron and steel division of heavy industries, the general co-ordinating role in the same complement, Mr Sano himself had been kacho of this department for only one year, so a move this time would have been unexpected.

If a new staff member had been simply to reach kakuricha. As a law graduate of Kyoto University. Mr Sano subsequently became kacho-hoso, deputy director, first in the mining division and then the trade policy hureau, the iron and steel division of the trade administration bureau, and finally back to a general co-ordinating role in the source of the trade policy hureau.

In the spring of 1983, after about 14 years in Miti, he was promoted to kacho, with initial responsibility both for the space industries.

Before his care to fix for the career. example, is likely to take 10 years

Before his current role, he The most discretion allowed to then (Jetro) in Paris. Mr Sano and him by the all-powerful personnel his wife, who works for a cloth-department would have been to ing company, have no children, have a hand in drawing up the job specification.

heaven.

He will go either to a top position in a state enterprise or to a slightly less senior joh in a private sector company (for the protocol of seniority must be recognized as the sector company of the protocol of seniority must be recognized as the sector company (for the protocol of seniority must be recognized as the sector company (for the protocol of seniority must be recognized as the sector company (for the protocol of seniority must be recognized as the sector company (for the protocol of seniority must be recognized as the sector company (for the protocol of seniority must be recognized as the sector company (for the protocol of seniority must be recognized as the sector company distribution.

no later than 6.30pm.

That is not to say that he goes straight home, even though he is fortunate enough to live in the trendy central Tokyo district of Akasaka – thus avolding tha three hours' daily communing faced by some of his junior staff. He goes ont most evenings, sometimes to dine with company

representatives - but only to dis-cuss the most general of policies - sometimes with a study group. On this evening, he will attend a dinner in honour of a retired director-general of one of Miti's agencies. He works perhaps one Saturday a month, fewer than most civil servants, but never schedules meetings which would

force other staff to attend. The corporate contacts may turn out to be important in later

years, even though Mr Sano says:

'I never thought of working in a
private company."

Along with the looser reins of
seniority in the financial sector

where a chief executive can be as young as 45 and expect to stay in office more than the two years on average, which a Vice-minis-ter serves before his retirement - the monetary factor may make it harder for Miti and other Ministries to continue to attract Japan's best and brightest

Mr Sano notes that in his age group, peers who went into the financial sector may now be making three to four times' the salary of their civil service counter parts. Even the most well-aimed descent from heaven will not be able to make up that much lost



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FOREIGN bankers passing world - in politics, trade and through Tokyo today can hardly believe the extent to which Japan's financial markets have

changed in the course of a year. Last summer it was possible to argue that the apparent strength of Japanese financial companies as they spread around the world ed on weak foundations. The truth would come out, it was said, once the bubble burst in the ese equity and real estate

But the events of last October have put paid to this view. Even senior Japanese fund managers had their doubts at the height of the crisis about whether the Tokyo market would come out of the global crash unscathed. But the fact that it did has reinforced the self-confidence of apanese financial companies to

an unprecedented extent. The shift in financial power is symbolised by the fact that the capitalisation of the Tokyo stock market, which was already big-ger than New York before the crash, is now 50 per cent larger. The results of this transformafinance.

Japan has become more confident in putting forward solutions to financial problems - even including those of the US, which was once regarded in Japan as being almost beyond criticism. Mr Toyoo Gyohten, the Vice-min ister in charge of international investment abroad affairs at the Ministry of Finance encapsulated the change in mood investment totalled in a speech in New York a few on 1986's \$100bn as a result of weeks ago when he revealed that Black Monday, but far ahead of Japan had advised the US to conthe \$54bn recorded in 1985. This

sider issuing Reagan bonds—
is why the
instruments denominated in yen.
Even a year ago, many Japanese, let alone Americans, would
have seen such advice as presfirmly on umptious. There is nothing new securities companies to win about the reasons behind this membership of the Tokyo Stock growth in Japan'e influence in Exchange. With most of these financial affairs - it stems from companies now trading, the highest believe the state of the hose reserves the state of the best property to the state of the state ammassed from her export sur-pluses with the rest of the industralised world.

But the crash has made clear that the way Japan invests those tion are becoming apparent financial markets. Continuing first is a natural reaction to across the whole range of Japan'e current account surpluses mean Black Monday, which affected relations with the rest of the that Japan will have huge other markets more than Tokyo.

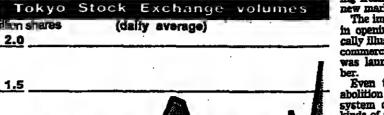
Financial markets

Confident shift in power

Last year, overseas portfolio investment totalled \$90bn, down

is why the competition for access to Japan's financial system is so In 1987 attention focussed firmly on the efforts of foreign

between different kinds of Japanese companies - between ance companies and the rest. that the way Japan invests those surpluses has become the dominant long-term issue in today's market for several reasons. The



overseas growth of previous Next is a belief that, for banks in

The rise of the Yen

Prospering despite traumas

in opening new fields is graphi-cally illustrated by the Y3 trillion commercial paper market which

abolition in April of marusu - a system of tax breaks on most kinds of small deposit account.

Funds have flowed in huge access to new sources of profit to improve overall performance to abolition in April of marugu - a

post war structure of the Japa-nese financial community. One sea-change has already One sea-change has already mostly occurred: the admission of foreigners into markets where they were previously forbidden. Now the second is under way: the dismanting of barriers dividing Japanese companies into differ-

ent market sectors. The key issue is the separation commercial paper market which of banks from securifies compa-was launched only last Novam-ber.

Even this is dwarfed by the spolition in April of market which of banks from securifies compa-mies. The banks argue that the worldwide trend towards securi-tisation threatens their livelihood and want more access to the

options. Reform is putting irre- approval from the Ministry of sistible pressure on the whole Finance, operate overseas scour-post-war structure of the Japa- ties subsidiaries and have tight

ened links with medium-sized Tokyo securities companies. Meanwhile, the Hig Four stock-brokers have opened banking subsidiaries in London.

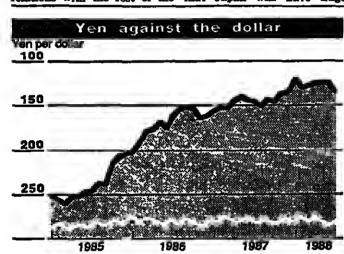
The Finance Ministry is also agonising over the inture of the Post Office, which holds Y127 trillion on deposit, one third of Japanese personal savings. While tax-breaks on these finnds have been sholished, a host of other regulations is the property of the proposition of the property in the property of the property is the property of the property in the property is the property of the property in the property is the property of the property in the property is the property in the property in the property is the property in the property in the property in the property is also agone in the property in the property in the property in the property is also agone in the property in t tory issues remain unresolved.

For foreign companies in Tokyo problems of access remain notably the failure of fureign companies to increase their share of newly-issued government of newlylsand honds above a pairty 2.5 per cant. Also EZW. a subsidiary of Barclays Bank, and James Capel, owned by Hongtong and Shanghai Bank, have yet to win stock.

But the real battle for overseas companies in Tokyo now lies in competing with their huge Japa-nese rivals.

Trade volume

Stefan Wagstyf



"EVERY time we have a crisis, we challenge it and solve the problem," says Mr Hiroko Oku-mura, Chief Economist of NRI & NCC, the research institute owned by Nomura Securities.

It is a remark born not so much of arrogance but of sober fact. Since the early 1970s the Japanese economy has managed to survive and prosper through the traumas of floating exchange rate and successive oil shocks.

Now its companies are engaged in solving another problem that many thought would leave them floundering in a sea of red ink adjustment to a surge in value of more high-quality goods; and "This is profitable even despite the Yen that has seen the dollar transferred some production the high Yen because it is a produling from a peak of over Y60 in abroad besides buying some compact with high added value," Mr

1985 to only about Y125 today. Dealing with this crisis has not been easy and, according to Mr Masanobu Ikeda, managing direc-tor of the Victor Company of

panies have adopted to deal with At the same time it is develop-the problem. They have stepped ing new lines within Japan such np spending on research and as the laser beam printer, a prod-development to maintain their not whose market is doubling in technological lead; produced even size every year.

more high-quality goods; and "This is profitable even despite

ponents abroad.

They have also rationalised the

Japan to cut costs.

At Canon, the camera and business machine company, foreign sales account for some 70 per cent of total consolidated turnover. According to Mr Hideharu Takemoto, one of its managing directors, 60 per cent of these sales are in areas with dollarbased currencies.

The company began its response to the rising Yen by raising prices in the US market, but with the demand for cameras there now flattening out, it is also moving some production

It doubled its photoopier pro-Japan (JVC), it has led Japanese duction in Glessen. West Ger-companies into unusually keen many and is buying more cam-competition with each other on eras and camera components both international and domestic from nearby Asian countries markets.

There are three common plans this year to move its typestrands to the strategy most com-writer business to the US.

company and its employees which are the key to JVC as a which Mr Takemoto eays it regards as its family.

Already this approach has led maybe we can't keep the life-time employment eyetem in camera and to a high definition Japan," he says, but still Canon or Super-VHS video Japan," he says, but still Canon did not fire a single employee in the course of its rationalisation programme, something which he believes has helped maintain morale.

The teach starting with the direction of the domestic did not fire a single employee in system. JVC has also established a new central corporate research laboratory at Kurihama, about 90km south of Tokyo.

Meanwhile, if has also established a new central corporate research laboratory at Kurihama, about 90km south of Tokyo.

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tors and top management, they took salary cuts. Directors and senior managers had their remuneration cut by between 10 and 30 per cent, though the cuts have now been restored with the

For the longer term, Canon is trying to develop as a global com-pany with a worldwide establishment integrated into local mar-kets. It believes this should protect it from shocks in any one

For JVC, which concentrates on up-market audio-visual related products, a main aspect of the solution to the problem was prod-

ponents abroad.

Takemoto says.

They have also rationalised the manufacturing process within been a painful one for both the development of new products and components so we save on

or Super-VHS video recording system. JVC has also established

surging demand on the domestic market. Last year domestic sales accounted for 53 per cent of total sales, more than double the ratio of 29 per cent recorded in 1981. Like Canon, JVC has not had recovery of profitability.

Shopfloor employees saw their south their overtime by half.

For the longer half. ral wasiage. Its overseas produc-tion has been growing and in Yen terms now accounts for 15 per cent of total output compared with 11.5 per cent in 1986. By current Japanese standards this is a relatively low proportion but it reflects that fact that JVC concentrates on the high quality end

of the comsumer electronics mar-

components and labour," Mr Ikeda says.

Groups of JVC workers get together and break down products to see how unnecessary parts can be eliminated. This has led to cost-saving innovation in the manufacturing process, he

At management level, the com-pany has reorganized itself to make better use of its workforce. For example, the general audio division, which has increasingly shifted its production abroad, was amalgamated into its hi-fi division in an effort to curb the trend towards what Japanese executives call the "hollowing out" of the domestic company. The general managers of the main product divisions have also

been given seats on the board with their own responsibity for technology, organisation and sales. This gives them a broader view of company management and a greater sense of responsi-bility, Mr Ikeda says. Nonetheless, the trend for most Japanese companies is for a

greater degree of internationalis-ation. Production of established

products is being increasingly European shifted abroad and research and Canon

velopment is being stepped up

at home to create a new genera-tion of products that can be man-

ufactured, initially at least, in copiers, Japanese business execu-tives know that they have to setain a technological lead to sur-a proliferation of such restric-

The world in which they seek to survive is increasingly a global one in which they see themselves as an integral part of foreign markets. Japanese companies

which manufacture in Europe no longer want their products to be thought of as Japanese, but as

Canon officials say they are now much less worried about the strength of the Yen or about clas-sic forms of protectionism than about the possibility of wide-appread restrictions on foreign

tions which might force it to code majority control to joint evature partners, impose stringent local content requirements, assign a specific proportion of production to export and limit the sourcing of plant and equipment.

Peter Montagnon



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JAPAN 7

WHEN THE city of Kobe wanted to build a subway line to open up-its rural hinterland for an ambitious new town development, it had to gain Transport Ministry approval at three separate stages. The process took nearly four

Even now, if Kobe - Japan's seventh largest city with a population of 1.47m - wants to take fares, the ministry in Tokyo must approve the move. The pattern is repeated throughout Japan for all but the most routine decisions by

local governments.
This relationship reflects both This relationship relieves both the centralising tradition in Japan and financial realities. Kobe financed the Y250bn construction cost of the subway itself, but it receives an annual operating subsidy of Y8-9bn. Even so, the subway lost Y10bn last year.

Overall, Japanese local authorities - prefectures, cities, wards and villages - account for 70 per cent of government spending but collect only 30 per cent of revenue. They must rely for the balance on transfer payments and direct subsidies from the central government. And strings - minisrial approval at each step - are always attached.

As a result, liaison is a

infi-time job. Kobe keeps six staff permanently stationed in Tokyo, providing a dormitory for them in that high-cost city, to look after its interests with central government. Mr Tatsuo Miyazaki, Kobe's 78-year-old Mayor, visits Tokyo to lobby an average of mixe'a week.

However, local authorities are not cowed by the power at the centre. They accept consultation ssary to co-ordinate plan-

FOR MORE than a century, Kobe has looked to the sea for its prosperity. An international entrepot since 1868, it competes with Rot-terdam for the title of the world's busiest container port. Moreover, two of Japan's leading shipbuilders have large dockyards at Koba, its fifth largest, steelmaker is based here, and the

port handles a heavy two-way traffic in processed foods.

But despite, heavy investment in modern facilities, volume has fallen in recent years because of competition from other Asian ports, and the effects of the higher yen. The industries which crowd the Kobe waterfront have not been immune to the same

A LOS

Freier Mer

Although employment in the city rose by nearly 3 per cent to more than 702,000 between 1981 and 1986, manufacturing jobs At their adjoining shipyards in the Hyogo district of Kobe, the Kawasaki and Mitsubishi are evident. Shipbuilding now declined by 6,000 over the same

Kobe now faces the problem of how to build on its strengths when so many factors are outride. Its control.

THE PERSON OF THE PARTY OF

Developments in Japan's seventh largest city

Bold plans in Kobe

ning throughout the country and financial reasons, it rarely meets are not slow to act, in concert or serious opposition. However, are also working from a position

of strength.

In a pointed reference to the fate of the Greater London Council, Mr Fumio Arai of the Tokyo Metropolitan Government says: "In Japan, each local government and cannot be demolished." But local authorities are keeping a wary eye on the Takeshita Government's tax reform package.
If proposals for a national consumption tax go through, the

result will be a reduction of direct taxes. These include the residents tax, a graduated local levy on income, on which local bodies rely for much of their rev-The new consumption tax

might also supplant existing local indirect levies, such as the 10 per cent tax on meals costing more than Y2,500. In Tokyo, which relies on direct state subsidiles for only Y380bn of its Y9,530bn Mr Arai says. In the past we did not depend on the central

government. We are trying to maintain that status under tax But local authorities are already in the front line in another way. When national gov-

The city's three largest private sector employers, Kobe Steel, Mitsubishi Heavy Industries and Kawasaki Heavy Industries, now have a total local workforce of only 30,000 - half the level of 20

years ago.

This reflects the hard times which have affected their main businesses in Kobe; steel in the

first case and shipbuilding for

effects of rationalisation at

accounts for only 20 per cent of

Kawasaki is building subma-

rines for the Japanese navy, but

The second secon

their local operations.

the other two.

competing with each other to according to Mr Kiyoyuki grab what money is going They Kanemitsu, chief of Kobe's international division: "In local areas we have to face citizens in a direct way and it's almost impossible to cut down services. The balance tends to become the bur-

den of local government."
For example, Kobe already has had to pick up an extra Y7.5bn in costs created by the central government's decision to reduce its funding of certain welfare benefits from 90 per cent to 80 per

"Demand is acute in the field of services for the handicapped and senior citizens, especially the bedridden," says Mr Kazutoshi tor co-peration such as the Port "To continue to provide better Liner transit system which conservices for less-privileged peo-ple, we have to maintain the strength of the economy."

Like Tokyo, however, Kobe is determined to minimise its dependence on subsidies. "The

because we carry on so many profit-related functions," says Mr Not only did it make a Y6.5bn profit on the Portopia 81 exposi-tion which inaugurated the 436hectare multi-use Port Island

Busy port builds upon its industrial strengths

Seeking to diversify

Kobe is reknowned for

steel and shipbuilding

transit system and Kobe's new

subway line which was com-pleted last year.

Mitsubishi, megrwhile, is still building research subs and ocean

liners but it is devoting more

space to nuclear generator com-

systems for convention halls.

has stopped all other shipbuilding activity except for repair and maintenance. Taking up the slack is manufacture of railway based - has rationalised its mills

rolling stock - Kawasaki and on two sites, at Kobe and nearby Kobe Steel collaborated on the Katagawa. Nationally, Kobe carriages both for the Port Liner Steel is likely to continue the

Mayor often says that Kobe is something like Kobe City Inc

The latter enterprises also have other purposes, of course: to encourage agriculture in the rural parts of the sprawling city, and to provide educational and

Kobe took over a failing citycentre hotel and runs it at a profit; money also flowe in from shopping precincts, a fishing park and three municipal golf The contribution of all these

tourist opportunities.

activities to the Y1,750bn annual budget is still very small, but it indicates the city's open-minded approach to business opportuni-

tre. A similar system is planned for Rokko Island, another reclamation project nearing comple-tion in the harbour. Ou this island, Kobe has sold

the 131 hectares not involved in port facilities to Sumitomo Trust and Banking, which will oversee commercial and residential devel-

Another joint project with the private sector is Harbor Land, where housing and commercial facilities are to be built in the Higoshi Kawasaki district on the reclaimed from the harbour. Kobe also profitably produces its own wines, mineral water and

Steel is likely to continue the diversification which means that

fron and steel account for less

Local service industries are

also diversifying. Daiei, the retailing giant, will operate one

of the most striking landmarks on the city's skyline - a new hotel nearing completion near the "bullet line" railway station.

The city's official policy is to

let the large companies take care of their own problems, although

than half of its turnover.

Per capita, Kobe spends considerably more than the national average for local authorities, and it has been an early and heavy visitor to the Eurobond market. Each issue must be approved by the Finance Ministry under "temporary" powers taken more than

30 years ago.
According to Mr Sasayama: "Finance is a big factor in strengthening our negotiating position with the national gov-

Kohe's bonds, however, are always linked to specific projects such as the extension of sewerage to 94 per cent of the city, a high proportion compared with the 42 per cent average around Japan's Inland Sea.

The sewage system will be used for many generations to come and they should bear part of the cost," Mr Kanemitsu says. However, Kobe strives to keep debt service costs to less than 20 per cent of its general account; in the most recent year the figure was just over 15 per cent.

Kobe also succeeds in winning more than its share of available subsidies by consistently exceed-ing national norms for public services. For example, it runs far more than the average number of municipal nursery schools. Still, the most important factor for a city like Kobe is to know where the money lies - and how to convince ministries in Tokyo to give priority to its plans.

"We have earned somewhat of a reputation in the Ministry of Conetruction," says Deputy Mayor Sasayama. "They say we are very well informed about all the schemes available."

Kobe concentrates its efforts

and its resources on small and medium-sized companies to which it offers special low-inter-

It has established a number of

mini-industrial parks both in

redeveloped inner-city areas and

at greenfield sites on the out-

skirts. These focus on a single industry, for example, a furni-ture park in the west of the city.

The highest profile "magnet"

is Fashion Town on Port Island

where 38 companies - making

apparel, jewellery and other "lifestyle" products - have been

National policy views Kohe as a "nentral" site: industry offi-

cially is neither to be encouraged

to leave, as it is from Tokyo, Osaka and Nagoya, nor to move in - as it is for large, underdevel-oped sections of the country. Nevertheless, financial incen-

attracted to locate offices.

Ambitious new town project eases overcrowding

The mountain movers

MANY men dream of moving two islands, but also to extend terparts.

mountains, but Mr Masaru other port and industrial facili- in part
Kimura sees it happening before ties along the waterfront. Recla- come to

From a dusty blinff only 12km since 1957.
from Kobe city centre, Mr But Kobe
Kimura can survey much of an Once Rokko employ perhaps half that number within a decade.
Within his gaze is not only the

Academic Town Development for which he is directly responsible but also a distribution centre and sports park containing a baseball

Games were held.
Out of sight over the next range of hills, and the next one after that, are housing and indus-trial estates in the making -Kobe's answer to overcrowding along a narrow strip of coast between the mountains and Portopia 81 Exposition. Osaka Bay. But the most amazing part of this project would be 1964 to provide a new terminal to clear visible only to Snperman, for container ships without interaction although the dump trucks crawifering with existing port airport.

Ing over the landscape give some operations. Flanked by the conhint of its presence.

mountains. The spoil created by 20,000 - people.
the inland development is then Before this project was comthe inland development is then transported by barge to Rokko Island, the second artificial island to be created in the centre of Kobe's harbour.

In the 1950s, Kobe realised it needed waterfront land to mod-ernise its port, and land in the mountainous hinterland to create new housing and employment. For three decades, Kobe's "moving the mountains to the sea"

project - the first such in the world - has killed two birds with one stone.

More than 260m cubic metres the in Japan, but Kobe appears the City Fathers hope to have of fill material has been moved in to take a much more anticipatory new peaks in their sights, this way, not only to create the approach than many of its coun-

nearby Kobe high technology park. These include special tax treatment for the replacement of corporate assets and exemption from a swinging tax levied on

This has enabled Kobe Steel

Once Rokko Island is complete, it ambitious new town project will begin the second phase of which is intended to house more Port Island. And after that, it has than 100,000 people — and its eyes on building an airport on yet another new island, to be built in the bay. In the current financial year,

Kobe plans to spend Y321.6bn on public works, more than 20 per cent of the city's entire budget. Based on the record of the past stadium and the athletics arena five years, central government where the 1985 World University will pick up about 30 per cent of Kobe's public works bill through

> So far, the crown jewel of Kobe's building epree is Port island, a 436 hectare development completed in 1981 and inaugurated later that year with the

tainer cranes, however, is a Every day, 60,000 tons of stone diverse hnt carefully planned and gravel are moved down to urban community, including the sea on an underground Kobe's international conference conveyor system. To the left, Mr centre, museums and schools, Kimura points out the huge pit offices for several dozen fashion which is part of the extension of companies, and housing and this tunnel farther into the facilities for 15,000 - eventually

pleted, however, construction had begun on a sibling Rokko lsland – to accommodate the larger container vessels whose draughts would begin to test the point.

12 metre depth of the Port Island hostis.

sive development plan agreed sion of Port Island and ferry pas-both with Hyogo prefecture, of sengers to and from the new Kan-which it is the capital, and with national ministries. Such plans are required for all local authori-have levelled his mountain, and

In part, this is because it has to come to terms with its topogramation alone has cost Y810hn phy. Until recent years, most since 1957.

development — and im of its pop-But Kobe has not finished yet. ulation - was on the coastal strip overlooked by the scenic Mt will begin the second phase of Rokko. To open up the interior, Port Island. And after that, it has Kobe has built a number of toll tunnels through this massif, tak-

ing advantage of generous gov-ernment subsidies.

According to Mr Isao Mizohashi, planning chief in the may-or's office, Kobe's timing of appli-cations for housing developments in the rural north-west part of the city was also fortunate, coinciding with government promo-

tion of that sector.

Although all industrial parks are city-planned and city-run, there is also a role in the public works programme for the private sector, which carries out most of the construction Looking shead a decade - as its planners always are - the main hurdle Kobe needs to clear in negotiations with Tokyo is the dream of its own

At present, the nearest facility, Osaka international, is 90 minutes away by road, and even the planned Kansai airport to be built in Osaka Bay - using tech-niques pioneered by Kobe will not be that convenient. Moreover, for Kobe's pride, it is still too identified with Osaka, the larger neighbour and rival.

So far, however, the Transport

already has a parallel proposal. At the very least, it intends to gramme is part of a comprehen- build e air terminal on the exten-

Clay Harris

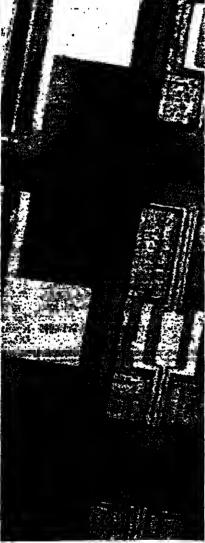
Companies moving to these new developments thus get the best of both worlds: low land prices and financial aid for locatfrom the centre of Kobe.

However, Kobe's future cannot be divorced from the fortunes of our main objectives are dealing its port - which still accounts for with port union restrictions 25 per cent of the local economy, which prevent working at week-a similar contribution to that of ends, he added.

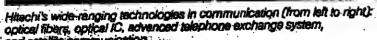
"We have been doing our best to modernise our facilities," says international division chief Mr Kiyoyuki Kanemitsu. "We have ing on sites less than 10 miles to move to reduce costs in other areas of port operations".

oped sections of the country. Nevertheless, financial incentives are available to companies choosing to locate in the new Seishin industrial park and the it consults with them regularly. Communication is not simply











This system can be used to translate various scientific/technical papers and machinery/equipment manuals. Special "glossaries" can be developed to adapt it for fields as diverse as medicine, electronics and aeronautics. Further development could lead to automatic telephone translation or even portable verbal translators for travelers.

In addition to the machine translation system, Hitachi's research specialists are also developing advanced transmission systems that send your phone calls or business data across great distances using hair-thin optical fibers and laser beams. They are also working on other new methods of communications, such as advanced telephone exchange systems, satellite communication systems, TV conferences,

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fore than 80 per cent of Japan's R&D is spent by manufacturers

Japanese companies are raising R&D spending

A need for more basic research

WHEN THE yen started to creep up against the dollar in late 1985; Japan'a major exporters seemed

Fixed costs were slashed, pro-duction was moved offsbore tinue to be concentrated on wherever possible, and spending applied, product-oriented on research and development research, not basic research. was left untouched or increased.

circles. in 1985, for example, Japan was already outspending the United States on research of GNP.

Unlike the US, however, where nearly half of the nation's by year because it is important. research and development is gov-ernment-funded, Japan's corpo-rate sector accounts for more business, so we need basic than 80 per cent of the nation's research."

maintain its exports in a whole an analyst for Baring Securities range of products, from motor in Tokyo, says: "Despite the lip-

pump up their R&D capital expenditure by another 20 to 30 per cent. For the most part, how-ever, most of this money will con-

Indeed, although corporate Japan's commitment to spending on basic research is research and development is leg-endary in international business tives cannot break out of the mould of describing this field in terms of its commercial potential. For example, Mr Shigeru Sato, a board member of Fujitsu Laboratories, says: "Our basic

research ratio is increasing year

Research and development This heavy private commit- analysts are more outspoken ment to R&D has helped Japan to about the problem. Tom Murtha, cars to semiconductors, despite service given to it in Japan, basic the appreciation of its currency.

This year, for example, Japa-tion it deserves.

"There are some world-class researchers in Japan who are not

only fighting for recognition, but

are fighting for funds. The money for blue-sky research just isn't The reasons are not just a determined commercialism on the part of Japanese companies. They are also the result of the Japanese academic world's extreme rigidity, in which the senior professor or researcher holds the purse strings and doles out money only for projects which support accepted wisdom.
Projects which challenge
accepted wisdom are usually
rejected.

Despite this lack of freedom in the laboratory, Japan, of course, does very well in all fields, from microwave ovens to neurocompu-ters, Japanese technicians have refined the art of using basic research from other countries and turning it into viable prod-ucts which everyone else wants

But in recent years, the coun-tries which bear the cost of basic

research have begun mounting complaints against Japan, arguing that not only must Japan spend more on basic, blue-sky research, but it should allow more foreign researchers into its

laboratories.

Mr Soichiro Ito, Japan's Minister of State for Science and Technology, does not disagree. "Japan has borrowed technologies from the control of the control o other countries in building its economy. The time has come to repay those countries for their

There is practically no tech-nology which Japan has still to lsarn from other countries. Japan, therefore, has to carry out technological development by itself. Japan should pursue basic research more enthusiastically," be said in a recent government

He admits that Japanese researchers in the United States outnumber the country's scientists in Japan by a ratio of 10 to

"At present, it appears Japan'a doors are closed," he says. in fis-cal 1988, however, his department has budgeted for 100 fellowships for foreign researchers and the Ministry of Education plans for a

The key to widening Japan's basic research role and opening the doors to foreigners, he says, is to increase government spending. Basic research, he admits, has been neglected in Japan.

"We criticise ourselves for not

apending enough on basic research. So our goal for the future is to spend more on this and this is a goal at the Cabinet level." he says.

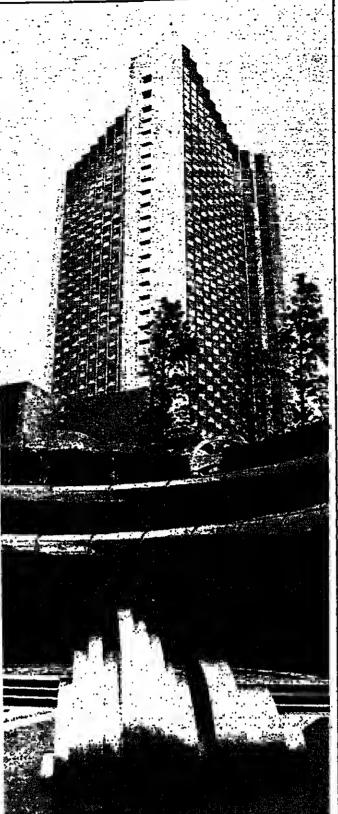
Government officials, bowever were, before fairly vague when asked about their goals for Japan's basic research efforts. A few years ago, Prime Minister Yasuhiro Nakasone rolled ont something called the Human Frontier Science Programme, saying that trillions of yen would be spent on this basic research effort over the next several years. Mr Ito says, however, that the

programme's current annual budget is only Y300m, only enough for a feasibility study. But that study is being formed with the aid of foreign scholars, with the third meeting of the study group held in Tokyo earlier this year.

The goals of the programme, he says, are to "try to find the secrets of how the buman body actually functions." The results will be shared with all nations, It could be many years, however, before such a programme move into high gear.
In the meantime, it is corporate

Japan that continues to do most of the running in R&D.

ANA hotel behind Carla Rapoport



A striking sight in Tokyo: the amphitheatre in Ark Hills with the

Profile: Matsushita

Proud to be in Europe

In so doing it has managed not only to evade protectionist critics in Europe, but also to achieve economies of scale in the manufacture of a technologically mature product, thus clearing the decks for further technological advance at home.

Some 60 to 65 per cent of the VTRs that Matsushita ssils on the European market are now made in Europe, and their local content is around 70 per cent, way above the 40 per cent demanded by the European Commission from companies seeking mission from companies seeking to the European Component companies since that the strength of the Yen has mission from companies seeking to the European Component companies impact on the Suropean component companies since that the strength of the Yen has mission from companies seeking the suropean component impact on the strength of the Yen has mission from companies seeking the suropean component impact on the strength of the Yen has mission from companies seeking the suropean component impact on the strength of the Suropean component impact on the strength of the Suropean component impact on the suropean component impact impact on the suropean component impact impact in the suropean component impact impact impact in the suropean component impact impact impact in the suropean component impact impact impact impact in the suropean component impact impact impact impact in the suropean component impact i

mission from companies seeking to avoid charges of component

outside Europe, Mr Matsumura

The history of its European ventures goes back five years to 1983 when Matsushita first estab-

Robert Bosch for the production of VTRs.

But it quickly found that simply shipping components from Japan to Europe did not allow for technology transfer and sufficiently deep collaboration. So it struck a second agreement, this time with Grundig, to make head cylinders for VTR decks. This is a much more complex place of equipment, requiring more than 3,000 components company was able to make use of Matsushita technology to supply its own needs as well as those of the Japanese company.

West Germany, buys head cylinders from Grundig. It uses these

fT IS not without a touch of pride that Mr. Takeo Matsumura, assistant director of Matsushita's video recorder division informs visitors to his head office in Osaka, that his company's German unit is e member of the West German industry association.

For him that membership is positive proof of the way in which Matsushita has integrated its video tape recorder (VTR) production into West Germany's own industry, and become, long before the advent of the unified European market in 1992, a European insider.

In so doing it has managed not components in its own mechanism assembly, selling the mechnism assembly plants in France and Spain.

This has given it a deep involvement in and with European industry. We could have done it all ourselves, but by collaborating with European manulification in further expanding areas, "Mr Matsumura says."

The emphasis on collaboration in further expanding a

In so doing it has managed not of the European market in 1982.

Though Japanese companies
Though Japanese companies

The strength of the Yen has made little economic impact on the company's European At some time in the future operations since the Japanese currency has appreciated much Matsushita might consider using its West German VTR operations to begin production for markets opticide Europe Mr Matsumura costs are much the same in West

tion in Europe than it is in Japan. lished a co-operation agreement with the German company of Japanese call a "hollowing out" of the parent company. It has of VTRs. Nor has the transfer of produc-

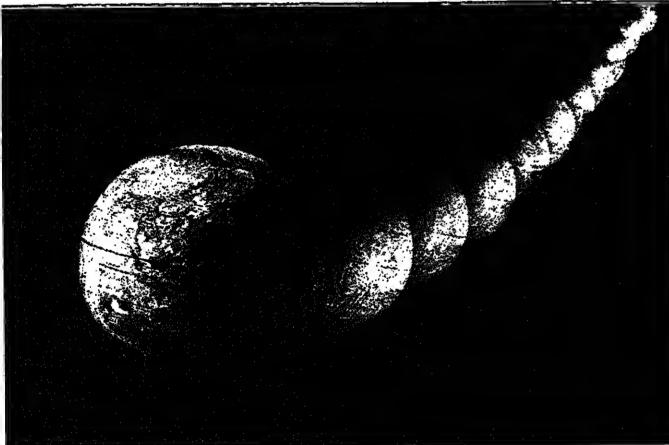
Germany as in Japan, although it

is easier to run a two-shift opera-

become all important for Japaanese company.

Mathshita now operates an nese companies is greater than intricate system whereby its own on traditional lines such as 100 per cent subsidiary in Peine, VTRs.

Peter Montagnon



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rency previously imported.

Health documents: Vaccination certificates not required unless travelling from an infected

Customs: Personal effects are allowed duty-free. Visitors may purchase souvenir items (pearls, cameras, radios) free of sales tax at designated shops, but items must be taken out of the country within six months.

Time: GMT + 9 hrs; EDT + 14 hrs.

Climate: Ranges from subtropical in the south to temperate

in the north. Coldest month: January; hottest: August.

Hoteis: Accommodation should be booked well in advance; service charges and taxes are added to the bill. Tip-

ping not customary.

Car hire: International driving licence required. Driving is on the lefthand side. Chauffeurcommand of Japanese and know-ledge of the area. Few directions: third week in August).

Signs are written in Roman alphabet.

■ City transport: Metered taxis easily hired in large cities at hotel entrances or by flagging them down in the street.

Only a few taxi drivers understand foreign languages, so it is advisable to have your destination, including name of a nearby landmark, clearly written in Jap-anese, along with the telephone

Tipping is not customary.

Metro: Efficient underground railway services operate in Tokyo, Yokohama, Osaka, Kyoto, Kobe, Nagoya, Sapporo and Fukuoka, with station names distributed in the control of th played in Roman as well as Japa-

nese lettering.

Public holidays: January 1;
January 15, Coming-of-Age-Day;

January 15, Coming-of-Age-Day;
February 11, National Foundation Day; March 20-21, Spring
Equinox; April 29, Emperor's
Birthday; May 3, Constitution
Day; May 5, Children's Day.
September 15, Respect for the
Aged Day; September 23-24,
Antumn Equinox; October 10,
Physical Education Day; November 3, Culture Day; November 24,
Labour Day. Labour Day.
Little work is done on January

■ Working hours - business:
Mon-Fri 0900 - 1700; Sat 0900 12000. Government: Mon-Fri 1000
- 1700; Sat 1000 - 1290.
■ Banking hours: Mon-Fri 0900 - 1500; Sat 0900 - 1200.

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(33 offices), Dai-Ichi Kangyo Bank (332 offices), Daiwa Bank (157 Kowa Building, 3rd fir, 11-41 Offices), Fuji Bank (228 offices), Hokkaido Takushoku Bank (206 Tokyo 107 (tel 505 1734).

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a-ku, Tokyo (tel: 213 2706).

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Osaka Chamber of Commerce and Industry, 58-7 Uchiho-machi Hashizume-cho, Hlgeshl-ku, Osaka (tel 256 6200, 944 6412).

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THE WONDER of modern Japan is the continued dedication of its workers, in the face of the coun-

try's increasing wealth to under-take a dreadful, daily journey to

their jobs and work, for 10 to 12 hours for a salary well below what they would earn at a comparable US or European com-

After all, not so many years ago, working class people in Europe also accepted their living

standards and did not try to

So far, however, there is little

to suggest that young Japanese

JAPANESE unions still remain

in the shadows, rarely exercising any great influence on politics, social affairs, or even working

Nonetheless, late last year, an important step took place in the Japanese labour union, one

which many analysts say is extremely important within Japa-

nese labour history. On November 20, 62 unions joined hands to create Rengo, a unification of more than 5.5m unionised work-

Rengo now covers just under

naif of Japan'a union members, who in total cover ebout 28 per cent of the world force. Although

Rengo has yet to voice any sup-port for any particular political party, its leaders recognise that a

viable opposition party to the rul-

ing Liberal Democratic Party is

extremely desirable for Japan. In the inaugural issue of the

new union's monthly magazine,

Mr Toshifumi Tateyama, Rengo

president, wrote: The establishment of Rengo was not merely

simed at unifying Japan's labour

unified power as a weapon in the pursuit of the labour movement's

goals. (These are) the improve-ment of the Japanese workers'

quality of life, which has failed to

keep pace with the nation's eco-

nomic growth."

"Its real purpose is to use its

change them.

conditions in Japan.

Undoing the rules and myths

OF ALL the adjustments taking place in Japan, those concerned with the roles of women may be the most difficult to cope with.

Even at the simplest level, it is no longer clear what will happen in Japan when a man and a woman meet trying to go through a doorway at the same time. When it comes to more complex social and work interactions, con-fosion is building up rapidly.

Historically, women in Japan have had very clearly-defined positions in society, giving them immense power within the family but reducing them to a totally interior role in public, symbolised by the requirement that they

hisbands. Such a simple system, whatever its merits or faults, is no longer possible in a sophisticated industrialised society, especially one that has endorsed, at least in law, the notion of equality of the

However, the process of undo-ing the myriad regulations, customs and myths which circumscribe womens' roles in Japanese society is proving exceptionally difficult.

As elsewhere, a large propor-tion of men resist moves towards women's equality. More suprisingly, a clear majority of women in Japan, especially those outside the hig cities, still remains opposed to the upsetting of tradi-tional patterns, according to Ms fessor of Economics at Ochanomizu Women's University in

Prof. Shinotsuka is pessimistic about the prospects for improving the social environment for would even be be a suffragette movement in Japan today if women had not been granted the vote in the constitution imposed by the US occupation forces in

It would be wrong to suggest that it has been impossible for women to advance to leading roles in Japanese society.

There are enough Japanese women who have achieved dis-tinction in business, scholarship and public affairs. Among them is the current leader of the largest opposition party in the national parliament, demonstrat in many sectors can quickly ing that a woman who was truly adjust staff levels to changes in determined to make her way in market conditions without even the world could do it, even 20 having to resort to lay-offs or

Franklin 1822



amount of overtime that wor

could work and prohibited them

from working after 10pm.

The Equal Opportunities Law, eliminated the restrictions on

female working hours for man-

agement level positions, but otherwise did not require employers

to do anything, it merely recom-

They pay women less than men

vomen to retire at an earlier age

Women filled only 3.5 per cent

of the management positions in

the companies surveyed. The one

applied to men.

effort required and the social disapproval. The well-known woman president of a removal company complained recently about how bored she has become with people of the family interest, severely limited the removal of recently interest. bored she has become with peo-ple who persist in making sarcas-tic comments to her husband, also in business, about her suc-

Ms Takako Doi, the leader of the Japan Socialist Party, faces occasional instructions about her sexual tendencies. The landmark event in attempting to widen the possibilities for women in Japan was the passing of an Equal Opportunities Act in the National Parliament in 1985.

The law was passed just in time to fall within the United Nations' women's decade and in the teeth of strong opposition from employers. The employers' interests in this matter became clear a few years ago in a study of the relative flexibility of labour markets in various indus-

trialised countries.

Despite -its famous -lifetime employment system, Japan emerged as the country with the most flexible labour market. The reason is that women are used as the huffer labour stock in Japanese industry and commerce.

Women are expected to work at their twenties, mainly with a view to catching a husband, and then are meant to retire and have

Labour turnover among women is so high that companies However, the price has been ally not invited to join the manhigh, both in terms of the extra agement streams and they are brightest females.

THE STATE OF STATE OF STATE OF THE STATE OF

The huge Seibu group, which pioneered in this area, now counts 250 women among its 2,300 management corps. The group offers extended maternity eave, a guarantee of a job when the woman returns to work and near their main store in Tokyo, a daycare centre.

Such is Seibu's reputation that 4,000 of the roughly 100,000 women graduating from Japanese universities each year apply

for jobs there.
Mr Kazuo Ido, managing director of Seibu Department Stores, says the programme has been successful in a number of ways, including improving management quality, improving morale of the largely female workforce, and in promoting the image of Selbu among women consumers who form a majority of the

group's customers.

Like Prof. Shinotsuka, he believes the key to the further promotion of women's interests lies in changing management attitudes rather than in more action on the legal front. He says seibn directors, from the chair-man down, tirelessly promote the idea of non-discrimination, trying to overcome male prejudices

within the organisation.

His only complaint about the legal framework is that Japanese There are no penalties for those who choose not to go along with its provisions. According to a recent survey carried out by the Tokyo Metropolitan Government among 1,000 companies with more than 30 employees, 15 per cent still hire women on terms different from those law allows only two types of

terms different from those lifetime employment must be preserved, and that employers must be pressured to offer it to women doing the same jobs and require as well as men. She opposes any more efforts at the moment to legislate the promotion of women's interests out of fear that opposition as to be counterprod-

sector in which women have made significant progress is the retail trade, although this is to change is coming from young some extent the result of retailers people. For example, employers making a virtue out of necessity.

In the Japanese pantheon of esteemed employers, retail houses figure rather low, well below manufacturers, hanks and the below manufacturers, hanks and ferring to be home with their seconds. securities houses. Consequently, families.

Also, young couples are begin males go into the retail trade. nales go into the retail trade.

The big department store words for each other (shujin, groups, a few years ago recog-nised their plight and so began to promote equal opportunity in the hope of attracting the best and long way to go.

ian Rodger

Carla Rapoport on the pressures of working life

Dedication to the job

Workers inemeatives no not anow.

One can only assume it is because Ispan is not a society of individuals, each seeking his own advancement, or individual glory. point out that the young, well-ed- day in recent years. It is still a fairly cobesive society ncated men and women who work in Japan's computer indus-try are overworked.

where the individual rarely ques-tions his or her lot. Phrases like "the grass is gree But even Mr Hiyashi says that ner on the other side or one the overwork is due to the lack of can never be too rich or too thin" do not exist in Japanese. trained software engineers and programmers, not bad manage-Instead, the Japanese pepper their conversation with phrases like "try your best" or "persever-ance." The Japanese word for

point of view. He works in a com-pany producing robotic software, When asked about the Mir overtime, for example, literally means unfinished work. But perhaps younger workers, those who have been on holiday or travelled abroad, are questionan area where Japan has the unchallenged lead. Last year, business was so good he was asked to work 100 extra hours a month, on average.

When asked about the minute of Labour's intention to cut work ing hours, Mr Yamamoto just smiles. "They are not sincere. If will not be schieved, "Because Japan has international the minute of the min ing this kind of Japanese-style dedication to job and company.

nine hours a day on top of his normal working hours. His income, including overtime payments, averaged just Y380,000 a

executive director of the Japan from his office, or two hours by Federation of Computer Workers train. He drives a relatively new "I know my company's situation until the train of the state of the sta

In fact, some months, he saw am, and then went to sleep in a company dormitory. What does his wife say about

ment.

Mr Kunio Yamamoto, 29, a university graduate, discussed the problem of overwork from his do it? "I just have to do it. It's

When asked about the Ministry in my daily life of being Japa-

month, on average.

One month, his overtime tional critics, on the surface, they totalled 280 hours, or more than (Ministry officials) say they will reduce working hours. But for really demanding fields, they make exceptions. The Ministry even says the company doesn't have to pay extra for overtime."

workers have changed their At this salary, he could show the workers themselves do not know.

Workers have changed their At this salary, he could show to live in a 40sq metre apartment, his regular hourly salary, and 1.5 workers themselves do not know.

Workers have changed their to live in a 40sq metre apartment, his regular hourly salary, and 1.5 workers themselves do not know.

Should the company hire more his wife only two or three times a workers? "Yes. In fact they are-trying. But even if we have more am, and then went to sleep in a workers, the situation will not change. The husiness is growing

SO fast Does he work hard out of a sense of patriotism to Japan? "To my company, I have patriotism. says the young worker. But no. I doo't have much patriotism to my country. I don't have a sense

The young computer worker is aware that his counterparts in other countries have standard of living. "I'd like my children to live like Western people and I hope to achieve it

myself," he says.
in the meantime, however, he canoot begin to think ahout becoming a father. He simply

Japan's labour history has taken a big step

Unions amalgamate



however, labour union officials face an uphill battle in Japan. Regardless of pay and conditions, most workers automatically give their loyalty to their company,

Further, the labour movement to date has had precious little influence on the policies and programmes of the powerful LDP. For example, despite the hor- we hope will belp to reduce

Workers decound more pay at the Keldanren Kalkan building, Tokyo

people in the computer industry, and leaflets and holding forums only 4,000 out of about 100,000 and symposium. If a company computer software workers are

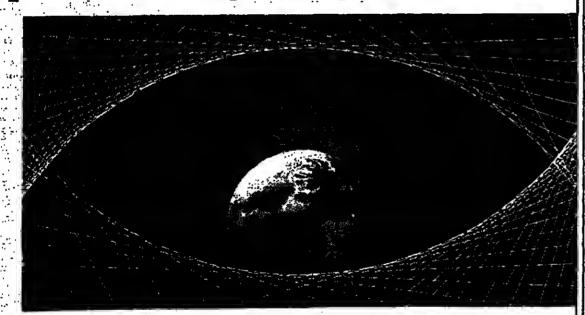
And even though the Govern-ment is officially promoting shorter working hours for Japa-nese labourers, it admits it has no powers to enforce such rules. We are making a mood which it can help them.

Despite these strong words, rendous hours worked by young hours, just by giving pamphlets there is no punishment," says Mr Ukio Hamada, an official at the Ministry of Labour, Wage and

Welfare department.
Rengo faces a tough task ahead. as it tries to educate workers that

C.R.

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committee to the second second	Nazali Siumosin, and 1-2-5 Otembers, Chryodalits, lokyo n	oros, Japan
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ative with a 50 per cent subsidy from the Government for the col-lective use of local households. The farmers themselves would

not have been able to build it

without government support and Mr Shlotsubo believes that only

with such help can farming become more efficient. It is a question not only of food-

International moves have forced a fierce debate on agriculture support. Peter Montagnon explains

Powerful farm lobby on the defensive

seat in the international debate on world farm reform. It delayed the General Agreement on Tariffs and Trade until late last year and has been content to yield centre stage to the US and the European Community who are slogging it ont between themselves.

Yet the very existence of the farm reform debate at an international level, alongside trade pressures applied by the US and the worldwide trend towards economic deregulation, has finally begun to call into question its long tradition of government sup-

Behind the scenes, a heated debate over farm policy has developed in Japan in which the powerful farm lobby is on the defensive. For the government of Prime Minister Noboru Takesh-ita, the issue is a delicate one, however, since Japan's electoral boundaries still give farmers a large say in the policies of the ruling Liberal Democratic Party.

Japan's farm structure goes back to the post-war McArthur land reform when land was realo-cated in small parcels to even out the distribution of wealth and free small farmers from the domination of large rural landlords.

As a result most farms are very small. Their average size is just 1.2 hectares compared with over 100 in the US.

Production is costly and mefficient and farmers have to rely on government subsidy, high support prices which are passed on to consumers and, increasingly, on part-time employment ontside farming for their survival.

Conventional economics would dictate that Japan can never aspire to competitive advantage with such a structure. Therefore farming should be rationalised and resources diverted towards the more successful manufacturing sector.

The country which has abundant financial resources to pay for them, should rely on cheap imports of food from other more efficient producers such as Australia and the US.

However, the farm lobby Itself clings with visceral determination to its own perception of the key role that farmers play in Jap-anese society. In a country which is already only 31 per cent self-sufficient in food, the promotion of food production is seen as ntial to national security.

nomic arguments, says Mr the country is already net food never allow to happen.'
Teruka Ishikura of the Nokyo importer. Agriculture Cooperative. "If we

JAPAN HAS so far taken a back liberalise imports, our agriculthre will collapse. The supply of food for the people of the nation should be the guiding principle."

Japan has already heen successfully taken to the Gatt by the

US over a long list of farm prod-ucts and, under US pressure last month finally agreed to open its domestic market gradually to beef and citrus imports. But, by far the deepest emotions in the farm debate are aroused over the question of rice, Japan's staple food whose import is still banned.

Japanese consumers pay six times the world price for their rice, and following pressure from consumers the Government last year agreed to a 6 per cent cut in the support price, the first such fall since the support price sys-tem was introduced after the

1939-45 War. Yet, while they reluctantly ecknowledge that further such falls are almost certainly in store, Japanese farmers are quick to spring to the defence of high food prices in Japan which they see as worth bearing by consumers in the interest of food security.

Commenting on the rice mar-ket, Mr Kosuke Hori, an LDP Diet Member from the rural Saga prefecture on Kyushu Island, argues that the present system ensures stability of both supply and prices, albeit with the latter at a very high level.

That is the kind of security that the consumer wants, he says, adding that dependence on imports would mean supplies becoming uncertain and subject to wide price fluctuations. In the long term Japan could even find itself without the foreign exchange to pay for essantial imports of food. To Japan's beleaguered trading

partners, such national security arguments seem little short of preposterous, especially when Mr Hori goes on to warn that an end to rice farming in Japan would cause widespread flooding in cities as water from abandor paddy fields in the mountains fil-led the country's rivers to burst-

Yet the point about Mr Hori's comments is not so much their intellectual content as the vehemence with which they are expressed. Japan's farmers feel they are entitled to special con-

The terrain is difficult: some 80 per cent of the country is mountainous and less than 15 per cent

It plays no part in export sub-

Continuing a tradition

in careful handling.

NEXT TO the village of Tsuguri in the rice-growing Nilgata pre-fecture of West Central Honshu is a community that consists entirely of old people.

According to Mr Yukio Ozaki, who grows rice and raises clairy cattle on his Tsuguri farm, the land has fallen into rack and ruin. As the older people have but like most farmers he is adagiven up farming it has become mantly opposed to the opening of them have the domestic market in imports. overgrown. Some of them have

gone away to live with their chil-dren in the city.

The paddy fields are in such poor condition it would be diffcult even to give them away. It is a poignant illustration of

sidy wars like those engaged in by the US and EC which have undermined world trade, and

there is no reason why it should not be left to its own devices.

were finally unveiled last Decem-

The internal argument is not

one-sided, however. Arguing in favour of farm reform is the Kei-

danren, the Japanese employers federation whose managing direc-

tor, Mr Kozo Uchida, sees three

main grounds for liberalisation.
The first is the cost to the tax-

payer. Although farm subsidies are dropping, they still account for some 60 per cent of the Y3,170bn budget of the Farm Min-

Second, food prices are partly responsible for the high cost of

living in Japan and an impedi-

ment to economic efficiency; and third, farm protection aggravates

trade tensions with the rest of the world which are bad for the

warnings of the farm lobby about collapse in the event of liberalisa-

tion. The sector could absorb a

gradual process of reform, he

disappear, but if Japanese agri-culture makes efforts to

strengthen productivity it could become stronger and internationally competitive."

Somewhare between thasa

opposing views Japan is now groping for a compromise, but

already its farmers are feeling

the effects of change.

The number of farm house

holds has dropped to 4.3m from

6.1m in 1960. Only one in seven of

them derive all their income from farming. In some parts of the country farms are being com-

bined and run in larger units to

improve efficiency.
Nokyo's Mr Ishikura says thes

farms can produce rice at half the cost incurred by traditional

But such change is painful and

young people are leaving the land. Japanese farmers may be

willing to bow to consumer pressure to produce at lower cost. Indeed some commentators have

suggested that this may be a

Peter Montagnon

small farms.

Japanese economy as a whole.

the pressures that are now intruding on to farming commu-nities in the fertile and tranquil This, incidentally, was the basic plains between the mountains philosophy behind Japan's proposals to the Gett when they The idyll is starting to pall for Japan's once-pampered farmers.
As government support for
Japan's mostly small-time farmers starts to erode, they face diffi-

culty making ends meet. Only one of the 16 bouseholds in Tsuguri village is now entirely dependent on the land. Its head, Mr Sadeo Shiotsubo, a jovial 38-year old, is something of a local highest

Altogether he farms 10 hectares, an area one tenth the size of an average US farm hut eight times the size of the average Jap-

enese holding.

Mr Shiotsubo, who specialises entirely in rice, inherited three hectares and rents out a further seven scattered around the area from other families who no longer want to work the land.

Last year's 6 per cent cut in the official support price for rice cost him Yen Im, he says, but he is resigned to further falls. In one sense this does not matter because he wants to buy more

> Y311,720.1bn \$87ba (1987)

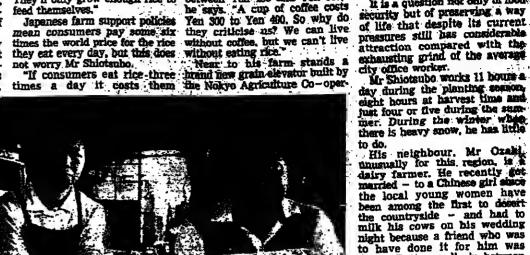
(exports), percentage of total, 1987: Electric machinery. Ordinary anachinery . Video cassette recorders and tape

Future is threatened

the domestic market to imports.

"Liberalisation would destroy Japanese agriculture. I don't want them to do it. If the Government took that policy, farmers wouldn't trust them any more.

Small farmers



on his motorcycle.

Mr Shiotsubo doubts whether any of his three children, aged nine to 13 will become farmers. But he knows that other countries have problems with their agriculture too.

drunk But normally in between milking sessions he spends his time roaming the country lanes

the local young women have

He has been to California, met some US farmers and known

"Even in the States I found

that some farmers went bankrupt. It must be difficult since their farming is on such a large.

Peter Montagnon

GDP

Structure of mercheedise (Imports), percentage of total, 15.0 12.8

11.6 Non-metallic mineral products . 2.5 44.7 40.8 .7.5 63.9

Mariko and Sadeo Strictsubo (centre and right) est tunch with Sadeo's mother, also a farmer

KEY FACTS

1987, by value in \$bo: Textile materials stallic material 13.1 Mineral fuels 20.6

US in 1987; \$83.58bn; imports from the US: \$31.49br. 3.1% (1987)

(1987)

Research: Susan Cockerill; and FT Tokyo staff.

Clay Harris on the arguments for a new capital

Tokyo talks of a move

deliberate ploy to pre-empt more serious pressure for the rice market to be opened to imports.

Says Mr Ishikura: "That is something we should never, by soaring land prices in Tokyo.

Says Mr Ishikura: "That is by soaring land prices in Tokyo.

The question, a perennial debating point, has been given new life the Diet and government Ministers and supporting services; Proponents of relocation have including newspapers, schools put forward a variety of plans, and restaurants.

and the issue is being studied by Specifically excluded would be parliamentary committee.

Meanwhile, Tokyo city authori-ties suggest wearily that they industry, and research and tech-have heard it all before. "The concentration of func-tions in Tokyo is much discussed nowadays," says Vice-governor workers would increase the total

Mr Masatsugu Yokota. "We do initial population to no more take it so seriously."

Leaving aside the issue of the seat of the monarchy – in Tokyo since the Mehi Restoration 120

years ago – proposals for relocation fall into three categories: reduce pressure on the Tokyo receiping the Covernment to an moving the Government to an existing city; building a new capital from scratch; or dispersing government functions to one or more sub-capitals.

area?

The idea is to encourage

growth in other existing cities.

for example to increase the rate

of growth in Osaka to that of Tokyo. This could be achieved by

putting the new capital at the

centre of a new "linear motor".

But that is not the end of the choices available. The real debate begins when possible locations for a new capital are mooted: should relocation be used to pro-mote an under-developed region like Tohuku in north-eastern softening effect on Tokyo land Honshu, or should it recognise prices of a decision to create a demographic reality with a site new capital, Mr Sakaiya estisomewhere on the densely-popumates that the Government could nate that the Government could

lated Tokyo-Osaka axis?

At the heart of the matter is office blocks in the new city by the relationship between Tokyo, selling only three of its 20 existincreasingly the focus of corpo-rate and financial as well as political power, and the rest of the

"Because of this concentration in Tokyo, Japanese culture is now losing its variety," says Mr Taichi Saikaya, a former director of the Bureau of Industrial Loca-tion in the Ministry of International Trade and Industry.
"Actually, since the war Tokyo

has produced very little new cul-ture, new fashion or new industry. If this concentration continues, there is a danger that other parts of Japan will lose the incentive and the energy to create new As chairman of the special

mittee for the construction of a new capital set up by the pri-vate Social and Economic Congress of Jepan, Mr Sakaiya supports creating an entirely new

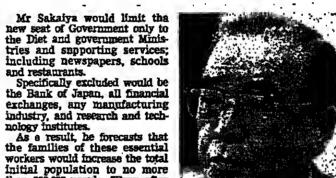
ports creating an entirely new centre for the executive, parliamentary and administrative functions of government.

"We shouldn't talk about location first," says Mr Sakaiya.

"When we look at history - Ottawa, Canberra, Washington - they first decided to make the move, then on the location. It's clear that once you make the location decision, the local people will be for it and everyone else will be for it and everyone else will be against it." The Government, he says,

should establish the requirements for the new city and then let amhitious prefectures com-pete against each other. For the capital he has in mind,

5,000 hectares (less than 20 square miles) - including room for a new international airport would be sufficient



transport system using magnetic Even taking into account the

ing hulldings in Kasumigaseki, Tokyo's Whitehall.



tion not a serious issue

planned new capital in Patagonia through the \$400m profit on the sale of its embassy in Tokyo. There are much less ambitious

major earthquakes. some functions outside. Tokyo have not been especially success

Tokyo.

"Japanese public officers at all?

believe that unless they stay in Tokyo and remain in the central perfectly possible that Tokyo may no longer be Japan's sola

posed by Tokyo's susceptibility to

This is not without foundation. A classic end to upward mobility is "promotion" to the provinces. Mr Sakaiya is doubtful about the success of capital projects undertaken primarily for economic stimulus.

Altogether, he believes construction of the Government's part of the new city could be achieved for a nat cost of poses between two regions or 12,000hn.

The Argentine Government, he cites the US, Canadian and Australia and Government's policy planton centres. The Argentine Government, he cites the US, Canadian and Ausnotes wryly, already claims to trailian examples have been ning office.

Tokyo the cites the US, Canadian and Ausnotes wryly, already claims to trailian examples have been ning office.

"Tokyo the cites the US, Canadian and Ausnotes wryly, already claims to trailian examples have been ning office."

"Before talking about relocat-ing the capital, authority should be allocated to local governments. so they do not have to come up to Tokyo to ask for permission."
The argument wins wide support

The city is doing its best to dampen property speculation by refusing to sell any of its own land. For example, when it moves its main offices in 1991 to a new Ministries and agencies to locate complex in Shinjukn, one of seven planned urban sub-centres. the prime Marunouchi site of the present City Hall will be redevel-The key problem with partial oped as a conference complex, relocation is that no one ever, but Tokyo will keep a firm hand admits to wanting to leave on the freehold.

It is much more likely, how ever, that the Japanese will still bemoan the increasing concentration of population and power in the Tokyo region and earnestly debating possible solutions. And that more and more of them will

tan Government's policy plan-

Tokyo thinks it is not appro-That is why, despite his strictures about choosing a location too early, Mr Sakaiya favours a site in Kansai, the Osaka Kyotoschemes for a new capital would proposals to disperse administra-tive functions to sub-capitals.

The movement to relocate the between levels of government, Mr Supporters often cite the danger capital has emerged many times be a redistribution of power,





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JAPAN 11



Education

essure on students

She has to study almost 50 each year who plan to go straight hours a week. Every day after to work after leaving school. For school she sets out at 4pm for Sanae this is anything but a soft evening classes and rarely gets option:

university as she hopes, Seiko will be able to study as much or as early as possible."
as little as she likes, take a part-time job, or do almost nothing with little risk of falling the improve her chances of getting

Peter Bottle

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S. The

and university life in Japan could not be greater. Winning a place at a top university is all-important to any career - the content ent university studies

almost irrelevant. The pressures which have created Japan's education system go far beyond elite schools to insti-tutions like Kanista Senior High School, a neighbourhood high just sit in front of it school for 16 to 18-year-olds, where Seiko is a punil. It stands in surburban Tokyo on a housing estate overlooked by pink and grey concrete blocks of flats:

Seiko would prefer to do more art at day school "because juku (evening school) is so far away." But it is impossible because the timetable is virtually filled with compulsory subjects - including Japanese - language, English,

SERKO TANAKA, an 18-year-old maths and science. Selko can do River, one of the few nearby when wants to be a graphic art two hours a week.

designer, cannot wait to finish. Selko's friend, Sanae Umemura. None of the four goes out in

is one of the 30 or so students

back before 9.30pm. She has no she says she does not want to time for sport or parties or going out...

In a few months, life will be on television. They don't do anyutterly different. If she gets to thing except waste time and money. I want to start working

dence course in bookkeeping to improve her chances of getting work in a local company's

The -girls' friend, Tsuyoshi Kusama, who wants to study engineering at a technical college, does not go to juku. He likes building models and complains that there is no time for craft

He says he spends his evenings watching television — I don't watch anything in particular, I The girls hardly have time for television. Seiko is busy drawing

when she is not at school. Sanae plays the piano and flute and belongs to a brase band. On Sundays, the two go shopping sometimes with friends or with their mothers. Usually we

just look, Sanae says. Koji Okada plays baseball, travelling half an hour by train to sports grounds along the Tama

areas of open space.

None of the four goes out in the evenings for a drink with friends or to the cinema. They are keen on rock bands, Western and Japanese, but do not go to concerts. School dominates their

Their attitudes reflect the the opposition, I at small desks facing the blackboard — boys and girls in alternate ranks. Much of the time is study, including homework, a week, and a part-time job delivering furniture, Toshihiro has

anxious to please, but lack plenty of time to go to cafes, bars self-confidence compared with and the cinema.

British teenagers, Nobody is "I have lots of free time to walk

"cheeky" to the teachers.

Yulki Nishimura, Toshihiro spend it," he saya."

Ijima, and Noboyuki Matsumaga might be from a different world.

Aged 22 and 23, they are final students at Sophia University, ses in English, in addition to one of the best in Tokyo. Unlike studying German literature. He the school students, they have has become very disfilusioned by opinions and are not afraid to prospective employers who have voice them. They worry about told him that the German lan

hours a week studying French lit-learnt anything much from his erature and the rest of his time studies. But, if the comparison working — writing Japanese with the pupils of Kamata High sub-titles on foreign films, Each School is anything to go by, they project takes three days and have gained in self-assurance and earns him Y50,000. He plans to learned quite a lot about themcarry on with this job next year, selves, or possibly become a teacher.

He is toying with writing a novel about Japanese men — Stefan Wagstyl

Youth

A generation with plenty

the young, pampered male is daily to millions of Tokyo comshown by a hospital specialising muters. Young people spread in cosmetic surgery which themselves on subway benches recently opened a new branch for unaware that there could be men in Tokyo, 15 months ago. It space for others, older people sees 10 to 15 men a day, most of company worns Students can may of Surgery in this data—happy

"Western men enjoy their lives but Japanese men feel inferior to American people," he says. Toshihiro, an education stu-

dent, wants to join a music publishing company. His real love is playing classical guitar. He came third last year in a nationwide student competition but finds lit-

Japan, America, and about having enough money to spend.

Noboyuki spends three to four

None of the three thinks he has

JAPAN'S young people are a farmer and shopkeeper bride-lazy, self-centred and narcissistic grooms are going begging. He lot compared to their hardwork- quotes a matchmaker as saying ing parents who fired the country's post-war economic resur-brides of a proprietor of a sman-gence – at least, that is one business, even though he offers strong-current of conventional financial security, because, "a family business just is not chic. ing perents who fired the coun-young women balk at being the try's post-war economic resur-brides of a proprietor of a small

Evidence of this trend among the young is easy to find on the streets and in the media.

An example of the facilities for And then there is the irritation

them young. Students can pay on the instalment plan.

A university professor complained recently, in print, that Japan are very different from young Japanese women are attaid of hard work. As a result,

a name for the flashiest of their youth – the *shinfinrui*, or "new human beings" – born into the country's material comfort after 1960. Many believe that when the new breed reaches middle age, their actions will be little different from those of their parents. "I wouldn't get too excited

about the shinjinrui," says Merry White, a Boston University sociologist and author of The Japanese Educational Challene She is in Tokyo researching a new book on Japanese yonth.

"Attitude-polls are one thing - and behaviour is another. The Japanese hava a very clear understanding of tatemai, the expected or the ideal, and hon-our, the reality. They understand they can live on both planes without being hypocritical."

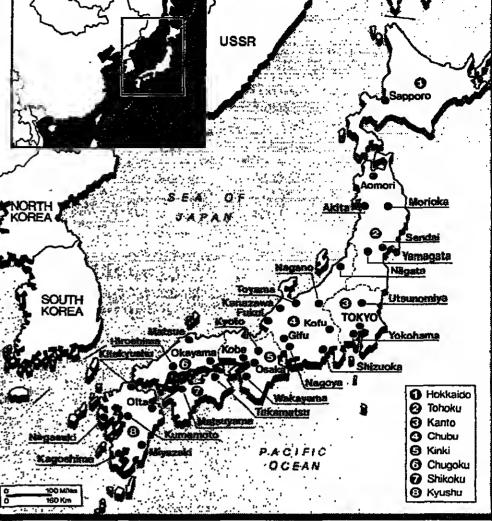
The ideal for Japanese youth

appears to be a lifestyle focused on self and filled with money and time enough for the clothes. travel and gadgets thought to glorify the individual.

Japanese children and young adults, cosseted by parents who remember the post-war sacrifices, are rich in possessions. One recent survey showed that 90 per cent of male college students own a colour TV set; more than half, a video cassette recorder; over a third, a car.

The only limit on possessions appears to be the size of the stu-

Parents and children used to sleep together in the same room. Now nearly a half of the coun-



try's children have their own

The comfort appears to be and me, says Naoko Onaka, 23, a creating a generation pleased by the notion of individuality. When

idea in favour of more traditional identification with society and the group.

Attitudes toward work, too, are changing. When 2,390 college seniors were surveyed this year by the Recruit Research Co, 60 per cent predicted that they will for two-thirds of the population, not stay with the same company and be more than willing to throughout their careers.

This is an expectation almost revolutionary in this country of long hours, company loyalty and lifetime employment.

In addition, only 14.3 per cent of males surveyed said work will get priority over family, the lowest figure in 10 years of survey"I do feel there is a great gener- culates widely.

the Prime Minister's Office sur-veyed 3,000 people, 15 and over in to make a good living. Our gener-1986, 46 per cent said they wanted ation does not want to work all to reflect their own individuality its life to buy a house. "We are in their lifestyles. "We are seeking the feeling of fulfillment

> kets shrink and it focuses on domestic ones, Japanese youth should welcome a five-day working week when six is customary

and be more than willing to spend energetically for this serve youth's passion for fashion, jobs once

fined age and sex groups and cir-

threat to the nation, too. Japan's recovery from the 1939-45 World War was founded on the ability unit. Many believe a similar sin-gle-mindedness may be needed to conquer the growing problems of

their lifestyles.

Only \$6.5 per cent rejected the inside ourselves." At least in the Some studies show that Japandea in favour of more traditional short term, such attitudes should nese young people are, in fact, acting on their attitudes wheo it he group.

As Japan's international marcomes to decisions about careers. Applications for civil service jobs - long a prestige way to serve the nation – are down sig-nificantly as young people turn

to private industry. A 1986 survey of 20,000 company employees under 30 by Japan's Labor Ministry found Indeed, an entire sector of the that 27 per cent of young workers publishing industry flourishes to said they had already changed

Magazines such as Checkmate.

aimed at males aged 18 to 20 and selling more than 300,000 conies monthly, cater to narrowly-de-tudes," says Merry White.

Sandra Earley

3) Bar Officialiste of the contract of THE ART OF **KNOW HOW** AND KNOW WHO



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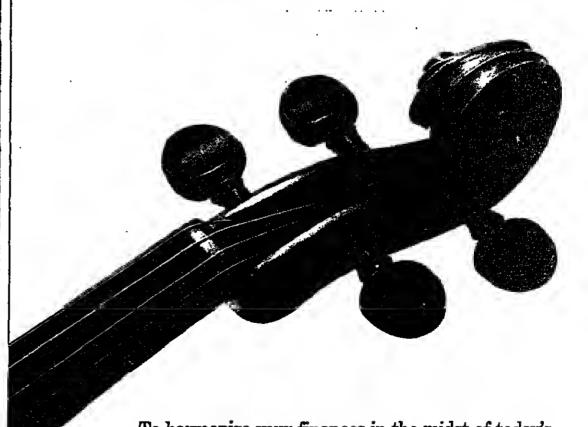
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Foreign travel

More spend abroad

cent are honeymooners. Austra-lia is the favourite newlyweds'

However, only 5 per cent (6.85m people) of Japanese people go abroad for their bolidays compared with 38 per cent of all Britons. But the market is growing fast - up by 24 per cent last year over 1986.

The Government is pleased. It wants to encourage its citizens to travel. It reckons this will lessen trade friction and promote international harmony.

But tourists can also cause friction and disharmony. A few months ago the Vatican com-plained that groups of young Japanese tourists were laughing loudly during Mass and munching pizza as they trooped through

The Pope was said to be espe-cially alarmed by their propensity for taking group photos in the Basilica — some of which involved sitting on St Peter and making rude signs behind his bead. Japan Airlines' (JAL) travel company in Rome said it las overseas for employees. centre. had "issued warnings time and time again" to Japanese tourists already provide cheap loans to campaign sells Britain in terms

Rock band guitarist giving

Sunday performance

as an ambassador at large - and tourism as an easy way to eat into the trade surplus.

There are of course several government plans to increase tourism. The Ten Million Plan which would almost double the number of Japanese tourists in five years comes courtesy of the Ministry of Transport.

The MOT stands to gain out of the Y351,000 spent per person on each five-day overseas trip: half goes on the air fare. Ona third of all overseas trips are package tours and both the carrier and the hotel are likely to be Japanese-owned.

Business is being encouraged to do its bit. Companies can now gain tax exemption if they sponsor, by paying 50 per cent of the cost as an employee benefit, an overseas trip for their employees at least half of whom must go.
 And there are mumblings in

the corridors of Nagatcho (Japan's Whitehall) that Japa-nese companies should be encouraged to set up holiday vil-

EVERY day outside the American Embassy in downtown Tokyo a long queue of mostly young female Japanese, clutching their red passports and visa applications wait patiently as part of Japan's latest export, its yen—laden tourists.

Hawaii is still the top destination for the Japanese tourist—32 per cent of whom are between the ages of 20 and 35, and 90 per cent are honeymooners. Austra
Britain increased by 45 per cent last year.

The Ministry of Trade and Industry (Miti) also has a plan to encourage more Japanese to go abroad through its Elsa scheme of once precious metal. It takes a encourage more Japanese to go abroad through its Elsa scheme of their young soon—to-be employ-easy for overseas travel hefore they join the company.

The Archbishop finally issued a decree last March banning flash photography, talking and "other inappropriate behaviour" in the Basilica.

The behaviour of their young soon—to-be employ-easy for overseas travel hefore they join the company.

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that Japaneae women saw per cent said they would want to Britain as "too masculine" – all live abroad at retirement. those Guardsmen on the posters. However, the same survey So the Guardsmen were showed that 80 per cent of Japaquickly replaced by gardens. Jap- nese peopla are still skittish

of elegant country bouses, TO DESCRIBE the residents of of elegant country bouses.

English gardens, romantic and fashionable cities and towns. It looks like Laura Ashleyland and it works: Japanese tourists to Britain increased by 45 per cent would be selling them short.

\$10.7bn on travelling abroad, but complexes abroad for Japanese again, because of the high proportion of package tours much of job training seminars.

With each person on average ness business, which often brings taking in excess of Y120,000 in it into conflict with other company many the Japanese tries such as Australia already.

spending money, the Japanese tries such as Australia already are now the world's biggest big battling the "cocoon travelers" spenders. And tourism is one mentality - where Japanese peo-area where Japan runs a deficit ple stay in Japanese-owned - amounting to \$8.6bn last year. botels, shop at Japanese-owned

Almost 40 per cent of Japanese shops and eat in Japanese owned travelling abroad ara now restaurants.

women. Young women in their In its present form Elsa is 20s account for almost 20 per cent likely to be as popular as Silver of the total market.

Columbia. And perhaps Miti has The proportion of women travether the sums wrong. In a recent surelling abroad has almost trebled vey by the Prime Minister's over the last 10 years compared office, 83 per cent of Japanese with the number of men. The said they had no plans of living British Tourist Authority found in a foreign country. And only 4.5

anese women put shopping on about going abroad. Fears about top of their list of reasons to personal safety and not knowing travel. So the BTA sells London what to do in a foreign culture as a shopping and entertainment centre.

And the BTA's Lodge' Pritain

Lisa Martineau

Japan's ageing population

The future burden



A homeless old man eating on a Tokyo bench

41.6 per cent of men over 65 and 2.6m, while their total value rose 15.2 per cent of women were still from Y5,292bn to Y11,628bn.

But one flag which few saluted wants to encourage more part -time employment to phase peo-ple more gracefully into retire-

This would fit into its general effort to reduce working hours and encourage longer holidays.

Other schemes are intended to rationalise public pension plans — although the Government despairs of being able to maindespairs of being able to maintain the same level of benefits transport its pensioners to lotus in the next century. As with the improvement of bealth, medical and welfare services, success is likely to depend on a greater role being taken by the private itself for expatriate life. And the sale of their houses to pay the hefty entry fee. The Tokyo and Yokohama regions have benefited the most from the recent property boom.

Silver Columbia would have exacerbated one of the most distressing social factors. Annually the sale of their houses to pay and Yokohama regions have benefited the most from the recent property boom.

"Not to be haughty have benefited the most from the recent property boom."

sixth of general expenditure — is linked to programmes in this area. The rate of increase from last year is nearly three times what the budget was as a whole. Among the measures being sion plans. Between 1982 and 1986, the number of accounts reported by the Life Insurance Association more than doubled to Association more than doubled to Clay Harris promoted are securing employ-ment opportunities - although

was the Ministry of International
Trade and Industry's "Silver Columbia" plan in 1986 which envisaged creating colonies of aged

Jukelkai is looking for othe Japanese in sunny, less-expen-

role being taken by the private in the ageing Japan parents estrangement from children and one sign of the growing recognition is the boom in private penwould bave cared for them until

12 years previously.
The increasing tendency to send aged parents to nursing homes has been called the modem obasicyona, a reference to the feudal rural practice of aben-doning the old in the mountains

to die.
In a recent book, Geriatric
Yard, journalist Kazuo Okuma
graphically describes abuses in
homes a world away from the
comfortable existence in NeoSummit. He found evidence of a
drastic shortage of trained pergraphical. to die.

At one home, security was so lax that Okuma was able to enter freely day and night and observe the treatment of patients. Some were restrained in bed even though they were physically fit.

The fortunate few at Neo-Summit appear to have no need to worry in their country club atmosphere, but even they reflect the social changes of their generation. Some 40 per cent said they entered because they had no children to care for them.

Mr Tababiko Akiyama, aged 68, moved into Neo-Summit in 1987, a year after retiring from Yamazaki Metal Induaties in Yokohama, where he had worked for 51 years.

By entering an institution like this, I will be able to grow old in comfort," Mr Akiyama says. Jukeikai, the joint venture which built and operates Neo-Summit, was the brainchild of Mr

Takeo Kitamura, a hospital manager, who convinced an old wartime comrade. Mr Shigeru Ishibashi, of the opportunities available in catering for the silver generation, Mr Ishibashi's company, the property group Daiwa Danchi, and Mr Kitamura Jukeikai is looking for other appropriate sites, which must be within a 90-minute rail journey of

sive climes. within a 90-minute rail journey of This was quietly shelved when Tokyo, the main catchment area it became clear that there was no for new residents, in part because

number one in Japan," says Mr Osamu Sato, Jukeikai's associate manager.

But he admits: "When I retire, !

It seems odd, for example, that years. Certainly, as the country's the communique from the recent interests around the world grow, Toronto summit of leading indusso will its need to defend those trialised nations expressed wor- interests,

The trip early this month by ited. the Defence Agency's Director General, Mr Tsutomu Kawara, to Indonesia, raises the more sensi-straightforward for Japan is over. tive issue of Japan's strategic From now on, every move that role in the world. There is no country makes will be welcomed role in the world. There is no longer any doubt that Japan is becoming a considerable military power: its military equipment industry is growing rapidly, sup-ported by the third-largest military budget in the world after that of the US and the Soviet

militarisation over the next few

ries about Eastern Europe but did not mention the Korean pen-insula, the Philippines, Cambodia long-established policy, exports any overseas aggression and, by long-established policy, exports of military equipment are prohib-

> straightforward for Japan is over. by some and regretted by others.

It remains to be seen whether the country can cope with these new circumstances while main-taining the special characteristics that have made it so successful. Viewed from Tokyo, it looks like Some analysts fear a creeping a good bet



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able to care for themselves.

As this also reflects a low birth

rate, the question of paying for the future financial burden is one

of the biggest questions the country faces. "We expect that we will

have a serious problem in the future," saya Mr Koji Tsuji, adviser on policy for the aged in

the Management and Co-ordina-

tion Agency.
The Government has made pol-

icy for "the new era of an 80-year lifespan" a matter of priority. In its budget for the current finan-

cial year, some Y5,500bn - one-



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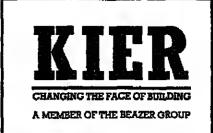
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SECTION II - COMPANIES AND MARKETS

FINANCIALTIMES

Monday July 11 1988



INTERNATIONAL BONDS

Managers get rude jolt in Eurodollar sector

SYNDICATE managers thought they were dreaming last week when the primary Eurodollar bond market experienced a day of new issuance reminiscent of a happier era. New deals totalling \$1.8bn were launched, including a well-received and much lauded \$1bn issue for Italy.

mulated as the dollar rallied and exposing a Eurobond market so fragile that few houses seem set to attempt any substantial new deals ahead of this Friday's US

found little to distract themselves and this week looks set to mark the start of a rather long and very quiet summer for bond mar-kets around the globe.

weeks when the total managed to kets since the proposed 10 per exceed \$1bn. When sales teams cent withholding tax was and fund managers began excit-announced. edly reporting the resurgence of genuine dollar demand from the brashest sector, Japanese equity Continent and the Middle East, it warrants, has had a hard time of

something akin to limbo, with exceptions, such as the recent investors closely eyeing the progress of the pound on the foreign.

A combination of fears that exchanges in the wake of the domestic interest rates in Japan fifth half-point rise in interest are set to rise and the fabled trade figures for May.

Beyond the vagaries of the US exchanges in the wake of the dollar, market operators have fifth half-point rise in interest rates in as many weeks.

In West Germany, the Bundes-nese companies does not bode bank's failure to restrain the dol-well for any slowdown in issular with some serious interven- ance. The new-issue calendar tion has done nothing to restore looks pretty heavy, at least until

Last week's virtual \$2bn of new the confidence which has been the end of this month.

Given this background, dollar

Even the Eurobond market's Surely the return of an old favourite like the super-sovereign deal was a portent of even better things to come? However, by the end of the week, most had been jolted rudely awaite.

Strong US jobs data prompted a brusque correction in the Treasury market, wiping out in one fell swoop the confidence accumulated as the dollar rallied and

markets around the world appear to have become disconnected and are now languishing in bearish isolation.

Sterling markets are still in the level of their fees.

There have, however, been a few bandwagon mentality of Japa-

attractive as the currency rallied. The US unit has appreciated by shout 10 per cent against both the D-Mark and the yen since the turn of the year, prompting many investors to worry that their portfolios are underweight in dol-

Syndicate teams have been using these worries to their advantage over the last few weeks and the result has been a crop of fairly priced and gener-ally soccessful deals. Credit Suisse First Boston was able last week to turn some of that dollar demand to their advantage with a well-priced and well-handled jumbo issue for Italy.

CSFB's follow-ups, a \$600m deal for Denmark, thought to be linked to the swap behind the Italy issue, and a \$100m issue for American General could not command the same level of interest, however, and were hard hit as Eurodollar bonds fell at the end of the week, indicating that the sector is still far from robust.

Median expectations for the May trade gap are about \$11bn and as long as the figures do not diverge wildly, the dollar could see another limited raily. This will provide some support to the Eurodollar bond market although it is now apparent that its effects on the other currency sectors will

be far from positive.

However, the medium term outlook for the dollar is far from bullish and analysts seem united in their forecasts that undesirin their forecasts that undesirable developments in economic fundamentals may soon be foreing some caution back into the bond market. The sobering effect of last Friday's job data merely reinforced their case.

Dr Ceris Williams, of Midland Montagu Research, said: "The improving trade picture now only spells problems for the future as the stronger dollar enodes the IIS

the stronger dollar erodes the US competitive edge. This continued strength in the economy is sure to feed through to the trade fig-

Dominique Jackson

EUROCREDITS Japanese respond to improved margins of comfort

JAPANESE banks have undoubted written by Amsterdam-Rotter-launch into syndication this company, has raised \$100m week a £175m financing for Imry through a Bermuda finance subnational loans market this year Lyonnais, Mitsubishi Bank and because of worries about the har-sanwa Bank.

Lyonnais, Mitsubishi Bank and property investment and developed by Deutsche Bank, Brussels, and monisation of international bank capital requirements post-1992.

from hiding, banks are starting to structure loan transactions to has been underwritten by BT more than half drawn, and 17½ give their Japanese counterparts along with Banque Paribas, Deutant International Bank, Mitsubishi four it pays a margin of perfrom hiding, banks are starting Power Corporation of Greece. It An example of this is in an International Bank, Mitsubishi Ecu165m, 10-year transaction Bank and Sumitomo Bank. launched at the weekend for It carries a five-year grace

Arranged by BNL Investment Bank of Greece.

consistion of international bank Bankers Trust International spital requirements post 1992. Started syndication of a \$150m, in an attempt to lure them eight year loan for the Public

Citicorp and Hill Samuel Solvay, the Belgian chemicals

ment group. The seven year revolving credit carries a com-mitment fee on undrawn amounts of 12½ basis points if more than half drawn, and 17½

centage point, with % point for the final three years. Banca Nazionale del Lavoro's period, with an interest margin of long-term lending subsidiary, percentage point for the first six years, rising to period. It pays a margin over lending interbank offered rates of lendon interbank offered rates of percentage point intil, yes, percentage point intil, yes, mitment. These terms are exactly points, a 10 basis point commitment for a \$15m composition, a 10 basis point commitment. These terms are exactly points, a 10 basis point commitment for an argin of 20 basis points, a 10 basis point commitment for a \$15m composition of the financing carries a margin of 20 basis points, a 10 basis point of the financing carries a margin of 20 basis points, a 10 basis point of the financing carries a margin of 20 basis points, a 10 basis point commitment. These terms are exactly in thirds, of 0, 5 and 7% basis launched in February for the in thirds, of 0, 5 and 7% basis

sidiary from a group of panks led by Deutsche Bank, Brussels, and Générale Bank. The seven-year financing carried a 6% basis points facility fee and a 15 basis point margin for the first four years and 17% basis points there-after. There is a ntilisation fee of 5 basis points there-5 basis points, payable if more than half drawn.

The restructuring of the almost \$4bn of debt for Fecsa, the Span-ish electrical utility, appears to be close to completion, with the signing between the utility and its bank steering committee on its \$2.2bn of bank debt scheduled for July 27.

Bond Corporation completed its refinancing of the bridging loan used to finance its takeover \$600m syndicated bank loan led by First National Bank of Boston and a \$200m private placement through Drexel Burnham Lambert of subordinated Heileman

In Eurocommercial paper, Citi corp announced the expected \$500m programme for Portugal, with CSFB, Daiwa Europe and Merrill Lynch International also acting as dealers,

Petrofina, Belgium's largest company, announced a mediumterm note programme totalling \$1bn. Notes can be issued by Petrofina Delaware or Mafina BV up to a maximum of \$500m each. Merrill Lynch arranged the pro-gramme and CSFB and S.G. Warburg are also dealers.

Stephen Fidler

Schroder sets up fund for Italian **buyouts**

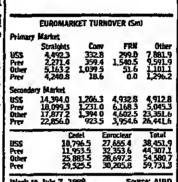
By Charles Batchelor in London

SCHRODER VENTURES, part of the Schroder banking group. has set up a £40m (£68m) ven-ture capital fund to back man-agement buyoots and other venture financings in Italy. It expects to follow this with a French fund in the autumn.

The Italian venture fund is the first of its kind to be established in the country by a non-Italian financial group. Schroders has already established specialist buyont and venture capital funds in Germany, Canada, Japan and the US, as well as in Britain.

Schroder has set up a consultancy, Schroder Associati, in Milan to recommend Italian deals to the company's managers based in London. The Italian consultancy will be run by Mr Mario Ferrario and Mr Paolo Colonna, who have made a number of buyont and ven-ture capital investments on their own account over the past six years.

Backing for the new fund has come from mainly institu-tional investors in Britain, the US and the Netherlands. None of the investors is Italian. The fund expects to put 75 per cent of its money into huyouts and the rest into other venture cap-ital deals.



D-Mark strength fails to halt rise in Siemens sales

BY HAIG SIMONIAN IN FRANKFURT

ALES AT Siemens, the West German electrical and electronics D-Mark terms, or 20 per cent in group, rose 7 per cent to dollars. Both sales and 0 ew DMS5.2hn (\$19.2bn) in the first orders in the US were set to top eight months of the current business year, from DM33bn in the same period last year, putting it on course for its DM58bn sales forecast for the year as a whole.

Profits "will not be below, and its German plants "bid stabi-

Profits "will not be below, and very likely above, those for the previous year." Mr Karlheinz Kaske, chief executive, said. However, he gave no indication whether Siemens would restore its dividend, which was cut after a 13 per cent fall in profits to DM1.28bn last year.

Group saies in the first eight months rose 8 per cent to DM18hn domestically and 5 per cent to DM17.2hn ahroad. The extent of foreign growth is partly nasked by the strength of the

While new domestic orders fell per cent to DM15.4bn in the first eight months, foreign orders climbed 14 per cent to DM20bn, putting total new orders 7 per

cent higher at DM38bn. Weak order activity at bome in the first four months of the year had now picked np, Mr Kaske said. However, foreign business had been particularly lively, with no collapse in exports on account of the strong D-Mark.

US orders rose 7 per cent in \$3ho for the first time this '/ear. doubling Siemens's US bus iness

Mr Kaske constantly stressed the danger of high German pro-duction costs and the need to

improve productivity. Thus, a reduction of 3,000 in Siemens's first eight months was carried out domestically. Further small cuts in the

domestic workforce were likely during the remainder of the business year. Mr Kaske was cautious regard-

ing speculation of an imminent UK electronics acquisition. Siemens wanted to raise its market share in Europe, and the UK was an important industrialised mar-

ket, he said.
"In this business, everyone talks to everyone." Siemens received "25 offers a day" from mergers and acquisitions bankers. Automotive systems continued to be a pacesetter, although cootinuing annual growth rates of 20 per cent were considered unlikely.

Spanish group in 10% placement BY PETER BRUCE IN MADRID

CONSERVERA CAMPOFRIO, the big Spanish meat concern which claims more than 10 per cent of the processed and frozen meat market in the country, has joined the queue of new entrants to the Spanish stock market by announcing a private placement of 10 per cent of its shares on the Madrid bourse.

Central and Iberagentes, the stockbroker. It is expected to raise Pta6.5bn (\$53.6m).

Banco Central, Spain's biggest bank, bought 40 per cent of Campofrio earlier this year. It plans eventually to float this in the Spanish and foreign markets.

Campofrio, which employs 1630 people, made pre-tax profits

cent of its shares on the Madrid bourse.

The placement, at Pta7,475 a share, is being made by Banco

Campofrio, which employs 1,630 people, made pre-tax profits last year of Pta3.6bn on sales of about Pta30bn.

"These Notes having been sold, this unnouncement appears as a mauer of record only.

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Union Discount Scotland (Underwriting) Ltd.

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.

U.S. \$100,000,000

Fiat Finance and Trade Ltd.

8½ per cent. Guaranteed Notes due 1991

unconditionally and irrevocably guaranteed by

IHF-Internazionale Holding Fiat S.A.

Issue Price 1011/4 per cent.

Union Bank of Switzerland (Securities) Limited

Bankers Trust International Limited

Banque Paribas Capital Markets Limited

Daiwa Europe Limited

Arab Banking Corporation (ABC), Capital Markets Group

Banca Commerciale Italiana

Banco di Roma S.p.A.

Banque Bruxelles Lambert S.A.

Crédit Lyonnais

Credit Suisse First Boston Limited

Credito Italiano

Dresdner Bank Aktiengesellschaft

Generale Bank

IBJ International Limited

Kleinwort Benson Limited

Banca del Gottardo

BSI – Banca della Svizzera Italiana

Bank J. Vontobel & Co. AG

Descripate Wynotheless, and Weeken Dowle

pank J. Tomobel & Co. AC

Bayerische Hypotheken- und Wechsel-Bank

Bayerische Vereinsbank Aktiengesellschaft

Girozentrale und Bank der österreichischen

BHF-BANK
Leu Securities Limited

Morgan Stanley International

Swiss Volksbank

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New issue

12th May, 1988

£100,000,000



91/4 per cent. Guaranteed Notes due 1993

unconditionally guaranteed by

ISTITUTO MOBILIARE ITALIANO

Issue Price 101% per cent.

Union Bank of Switzerland (Securities) Limited

Baring Brothers & Co., Limited

IMI Capital Markets (Luxembourg) S.A.

Phillips & Drew Limited

Bankers Trust International Limited

Banque Bruxelles Lambert S.A.

Genossenschaftliche Zentralbank AG-Vienna

Girozentrale und Bank der österreichischen

Goldman Sachs International Corp.

J. P. Morgan Securities Ltd.

The Nikko Securities Co., (Europe) Ltd.

BSI – Banca della Svizzera Italiana

BHF-BANK

Compagnie de Banque et d'Investissements - CBI

Gefina International Ltd.

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New icens



lst June, 198

U.S.\$100,000,000

Union Bank of Switzerland Finance N.V.

8% per cent. Guaranteed Notes due 1991

unconditionally guaranteed by

Union Bank of Switzerland

Issue Price 1011/8 per cent.

Union Bank of Switzerland (Securities) Limited

Bank Brussel Lambert N.V.

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Shearson Lehman Hutton International

Nomura International Limited

UK GILTS

Base rate rises fail to shake off lethargy

show the underlying rate remain-

prodocer price indices on Mon-

day. Speculation about bow gilts

will break out — and in which direction — comes in two forms.

First there is the shock theory

such as that favoured by Mr

Glenn Davies of CL-Alexanders

Here the argument runs that government statistics alone will

not be sufficient - at least in the

The second theory is that

cumulation of economic statistics

will eventually provide clear

dated yields above 10 per cent. Until a cure for the market's

umes and small price move

Laing & Cruickshank.

no numbers will.

IF ANYTHING was to shake focus of attention this week. Most long-dated gilt-edged securities out of their lethargy, five base rate rises in as many weeks and a record current account deficit should have been strong contenders. Alas, despite a flurry of activity early last week, the events of the past month have left long-dated gilts still lacking clear direction. There seems little that will push them oot of their recent tight trading range.

Activity has been concentrated at the short end of the market with the long end acting as a fulcrum for the yield curve. With few sellers or buyers of gilts, market-makers are instead turning to the futures market.

Last week came the news that the two largest Japanese securities firms, Daiwa and Nomura, are to begin dealing in the market by the end of the summer. With the performance currently so uninspiring, the announce ment prompts one to wonder why

Gilts are being held in check at the long end by two seemingly equal and opposite forces. If they are to break free from their narrow trading range, one side is going to have to give.

Holding prices up is the technical outlook. Healthy government revenues mean little need for funding and a shortage of stock.

Warburg Securities is forecasting a poblic sector borrowing

requirement surplus of £7bn this r. This would mean the Bank of England bas probably over-funded and the two gilt auctions to which it is committed will make the overfunding worse.

Friday's Bank of England announcement of an anction of short-dated stocks on August 10 surprised the many who had expected long-dated stock. It led some to conclude it would mean prices at that end would continue to be underpinned by the short-

age of stock for sale.
On the other side are bearish fears about inflation. Taunts by Mr Nigel Lawson, the Chancellor, about "teenage scribblers" has mists in their gloomy prognoses. Forecasts of 5 per cent or above

by the end of the year are commonplace and the Treasury has acknowledged that its own fore-Shearson Lehman is predicting more than 6 per cent at the end

US MONEY AND CREDIT

Treasuries resilient despite shock of employment surge

CONSIDERING the economic no attraction in locking money news it has faced this week, resil away for 30 years at 9 per cent, ient rather than weak would bowever good the currency economists are expecting Thursday's average earnings figures to describe the state of the bond market. For the Treasury's long bond to end the week yielding a ing at 8% per cent but many fear another rise to perhaps 9 per cent. The retail price index for June is published on Friday and little over 9 per cent was not had going after the shock of Friday's

purchasing managers' report.
After the previous Friday's publication of the austere-sound ing minutes from the Federal Open Market Committee, it was the recent revival of a New Era hard to see how the Fed could avoid tightening in response to all thesa expansive economic

The argument for an eventual thesa expansive economic lationary supply side growth.

short run. If record bank lending and building society lending in April and a record current account deficit in May do not give the market momentum, then

Instead, it will take a fundamental shock. Besides unforeseen acts of God or Government, the for the bond market's surprising acts of God or Government, the most obvious trigger would be if Mr Lawson resigned. An unexperienced Chancellor appointed with a strict brief to keep inflation in check, no matter what the cost, could then push yields to below 9 per cent.

Now what about the less familiar ultra-optimistic case for buy-interesting dollar. But even if the rising dollar is more than a temporary abertation, it actually explains less than is sometimes or is restrained by a fiscal pack-ordinate and social world today has much or is restrained by a fiscal pack-ordinate and social world today has much or is restrained by a fiscal pack-ordinate and social world today has much or is restrained by a fiscal pack-ordinate and social world today has much or is restrained by a fiscal pack-ordinate and social world today has much or is restrained by a fiscal pack-ordinate and social world today has much or is restrained by a fiscal pack-ordinate and social world today has much or is restrained by a fiscal pack-ordinate and social world today has much or is restrained by a fiscal pack-ordinate and social world today has much or is restrained by a fiscal pack-ordinate and social world today has much or is restrained by a fiscal pack-ordinate and social world today has much or is restrained by a fiscal pack-ordinate and social world today has much or is restrained by a fiscal pack-ordinate and social world today has much or is restrained by a fiscal pack-ordinate and social world today has much or is restrained by a fiscal pack-ordinate and social world today has much or is restrained by a fiscal pack-ordinate and social world today has much or is restrained by a fiscal pack-ordinate and social world today has much or is restrained by a fiscal pack-ordinate and social world today has much or is restrained by a fiscal pack-ordinate and social world today has much or is restrained by a fiscal pack-ordinate and social world today has much or is restrained by a fiscal pack-ordinate and social world today has much ordinate. by US rates of growth and infla-tion rather than by the exchange sion does not have much longer rate. If dollar inflation threatened to live. to rise unchecked, there would be

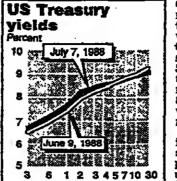
appeared in a shorter time frame. There are two more fundamental reasons why long-term bond

investors may be refusing to panic about the present strength of the economy. For the habitusurge in employment — to say ally gloomy majority of bond nothing of Wednesday's strong buyers, there is the expectation car sales figures and Monday's of an abrupt slowdown in growth and inflation some time next year or early in 1990. For a small but increasingly vocal minority of ultra-optimists, there has been the recent revival of a New Era

The argument for an eventual slowdown needs little elaboration. The economy often seems despite the undeniable strength Why then was the long bond ion. The economy often seems yield on Friday still a quarter of strongest just before it is about to a percentage point below its peak turn. A survey last month by of late May? And why do we hear Blue Chip Economic Indicators so little about the 10 per cent showed that 84 per cent of busi-bond yields which a few months ness economists believed a recesago were almost taken for sion would begin in 1989 or 1990 granted?

The commonplace explanation forecasts actually churned out by their computers showed no such

A classic sign of such deflation- a minimum, rejection of two fun-



despite the undeniable strength of the economy today, is the flatof the economy today, is the fist-tening of the yield curve since May. The yield spread between three-month Treasury bills and long bonds on Friday was 2.23 per cent, compared with 3.12 per cent on May 23, when the bond yield peaked at 9.36 per cent. Now what about the less famil-

months

Dark Decade of socialism from 1973 to 1982. The New Age credo requires, at

ruled the financial markets for the last 15 years; that inflation will inevitably start to accelerate once unemployment falls below some "natural rate" of between 5¼ and 6½ per cent; and that there will never again be a eco-nemic upswing as long as the 8%-year continuous expansion which America enjoyed from February 1961 to November 1969. The two beliefs are closely

shows no signs of taking off in a period like the present, when unemployment is well below the 5% per cent mark, there is no need for monetary or fiscal tight-ening to bring economic expansion to a premature end. Ergo, there is no reason why the present upswing should not equal or even surpass the record for lon-gevity set in the Golden Age of

That would mean no recession until the middle of 1991. It would also mean a benign environment for bond investors, since inflation would continue to fall, instead of rising, over the coming years. Mr Lawrence Kudlow, of Bear Stearns, was chief economist at the Office of Management and Budget from 1981 to 1983. He therefore knows a thing or two about New Age thinking, as one

of his recent circulars attests: "We do not rule out the possi-bility that the unemployment rate could decline to 44% per

BRENSLAND BOY 21 \ 89.
BALSTON PORDBA 12 \ 95.
BETARDSON PORDBA 12 \ 95.
BETARDSON PORDS 11 \ 95.
BETARDSON POR 3 \ 95.
BETARDSON POR 3 \ 95.
BETARDSON POR 3 \ 95.
BALEF 72 \ 94.
BALEF 72 \ 94.
BALEF 73 \ 94.

FT/AIBD INTERNATIONAL BOND SERVICE

damental dogmas which have cent during the next four years no further fiscal sacrifican with inflation at 2 to 3 per cent required.

A Bush Administration's fiscal and much lower interest rates.
These conditions prevailed during the halcyon days of the 1960s

puts great store on the recent the economic expansion contin-drop in the world gold price. "a ues, they will find it hard to sure sign that inflation is not on destroy the public's faith in Voc-the cards." He also insists that doo Economics Mark One. If Mr. the US is stronger as a result of all the foreign money it has bor-

New Age jargon, there are some charms last serious macroeconomic and polit * ical aspects of the supply-side The following statistics are due resurgence. First and foremost, for release this week, along with the moderation of US wages has the market's expectations as autothe moderation of US wages has opened up the genuine possibility that the natural rate of unemployment may be much lower than people previously thought. Secondly, the snpply siders' political influence is almost car-tain to be revived if the present

strongly infinenced by people such as Mr Kudlow. When Mr Bush repeatedly tells

the American electorate that he will never raise taxes he almost will never raise taxes he almost per cent.
certainly means it. For if the US industrial production (Friday) can really avoid recession for another four years, the supply siders may be proved right. The budget deficits may vanish with

YER STRAIGHTS
ALLIED SIGNAL & TO.
AVOR CAPITAL & 19.
BARCLAYS OF DAY & TO.
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BERCLAY

plans, in other words, would be identical to those of President Reagan. Mr Bush's opponents and they may occur again.

The supply siders' optimism will doubtless dub his born-again will doubtless dub his born-again supply-side creed as Voodoo Rosinsess. Mr Kudlow, for instance, nomics Mark Two. But as long ag owed. whether the power of Voodos is But whatever one thinks of the transferable and how long the

veyed on Friday by Money Mar-ket Services of Redwood City. California:

Retail sales in June (Thursday

8.30am) should be up 0.5 per cent, with estimates ranging from minus 0.5 to plus 1.3 per cent.

Trade figures for May (Friday) tain to be revived it the present minus u.o no plus as per benign economic environment Trade figures for May (Friday persists until November. Mr. 8.30am) should show a seasonally George Bush appears to be adjusted deficit of \$11bn, with a significant of the problem of the season of

range of \$3bm to \$12.8bm.

• Producer price index for June
(Friday 8.30am) should be up 6.5 per cent, with a range of 0.1 to 0.7

9.15am) should be up 0.4 per cent. The range is 0.2 to 0.8 per cent. Anatole Kaletsky

US MONEY MARKET RATES (%) Fed Funds (weekly average Three-mouth Treesary bil: US BOND PRICES AND YIELDS (%) Yield NRI TOKYO BOND INDEX yield (%) December 1943 - 101 Lust 2/7/45



proof that the economy is moving in one direction. Mr Richard Jeffrey of Hoare Govett, for instance, argues the weight of bad news will, possibly by the end of this month, push longdrowsiness is discovered, dealers will be frustrated by thin vol-5.17 4.75 5.06





A\$ 100,000,000 1234 per cent. Notes due 1991

Issue Price 10134 per cent.

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ANZ Merchant Bank Limited BNP Capital Markets Limited

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∜⁄ SBCI **38** Swiss Bank Corporation Investment banking

INTERNATIONAL CAPITAL MARKETS AND COMPANIES

George Graham on the latest Moët Hennessy Louis Vuitton deal

LVMH drinks to new shareholders

MR ALAIN CHEVALIER, chair-man of LVMH Moët Hennessy Louis Vuitton, was weary but relieved on Friday night after completing the financial deal that settles his company's shareholding structure and puts an end to weeks of internal dissen-

The Supplement

"A company cannot operate if its capital is not stable. In the last two months 1 have missed three journeys abroad because of this business and 10 strategy meetings. I must be able to get on

with my work," he said. The operation, which brings Agache, the fashion and retail company, in as LVMH's principal shareholder in association with Guinness, the UK drinks group, as well as giving the French cognac, champagne and luxury goods conglomerate a 10 per cent stake in Guinness, should allow valier to get back to mind-

ing the shop.

The shop needs minding for LVMH, brought together last September by a merger of the Most Hennessy drinks concern with the Louis Vuitton luxury luggage company is currently expanding actively both on its traditional activities and through acquisi-

2.3

Vitaliste Keley

The 60 per cent explosion in Louis Vuitton luggage sales this year, based on heavy Far Eastern demand, has surprised even Mr Henry Racamier, the 76-year-old vice-chairman of LVMH and head of its Vuitton arm, and is raising agonising investment questions both for the company and for its

suppliers. Meanwhile, the group has in the last month signed an agree-ment to buy the Givenchy fashion house - it already owns Givenchy perfumes - besides acquiring the distinguished Burwina merchant and grower Leroy, distributor of the famous Romanée Conti wine.

In an enterprise growing at this rate, there should be enough

to do to keep everyone busy. So why have the last two months been spiked with reports of boardroom battles between the drinks faction, headed by Mr Chevalier, and the luxury goods clan, comprising Mr Racamier and the Vulttons, not to mention the ominous shadow of potential predators - Agache or others

more menacing still? For Mr Bernard Arnault, chair-man of Financière Agache, the roots of the unrest go back to the battle earlier this year for Mar-tell, the family-controlled cognac housa which was eventually bought by Seagram, the Cana-dian drinks group, after a long and acrimonious battle with

Grand Metropolitan, its UK rival. "After Martell. I think there was a growing awareness among the family shareholders of the problems that could be posed for a company like theirs in the face of the appetites of other drinks groups or purely financial inves-tors," he said.

Although Mr Chevalier himself avoids direct criticism of his associate, others in his camp openly blame Mr Racamier, even accusing him of the ultimate crime dealing with the enemy in the shape of GrandMet.

Mr Racamier, for his part, says his only disagreement with Mr Chevalier was over how big a stake Guinness should take in LVMH as a concrete seal on the existing joint distribution agree-

"I was altogether in favour of capital, but I thought 20 per cent was a lot, especially for a foreign company. In the interest of pres-erving a balance between the drinks side of the business and the luxury side, I wanted another investor, preferably French and preferably in the luxury business. That is what we now have, he said on Friday.



Alain Chevelier: avoids criticism of associate

day appears to have restored unanimity. Lazard Frères, architects with Paribas of the original LVMH merger, can claim sole credit for this operation, with Mr Bruno Roger advising Mr Cheva-lier and Mr Antoine Bernheim comselling Mr Arnault. Mr Mar-cus Agius of Lazard Brothers in London is working with Guin-

The shareholding triped, after all outstanding warrants are exercised, gives Agache and Guinness in association 24 per cent of LVMH - a stake they expect to raise to around 30 per cent - the Vuitton family about the entry of Guinness into our 20 per cent, and the various families that made up Moët Hennessy around 11 per cent.

The operation is an important consolidation of LVMH's links with Guinness on the wines and spirits side, for the joint distribution ventures now account for about 25 per cent of Guinness's aid on Friday.

profits and considerably more of
The deal put together on Fri- LVMH's.

On LVMH's having goods side, the industrial implications are less clear. If Mr Racamier believes the co-operation between Christian Dior perfumes, owned by LVMH, and Christian Dior fashion, owned by Agache, can now accelerate, Mr Chevaller

sees no urgency.
Nor is it clear how there can be any direct industrial co-operation between LVMH and Agache on their other luxury brands.
"In the luxury industry you can create the circumstances for

co-operation, but businesses must stay very independent," com-ments Mr Arnault, while noting that a salesman who can offer brands like Vuitton and Given-chy from the LVMH side. together with Dior, Celine and Christian Lacroix from Agache, will be in a strong position to obtain the best sites in department stores or other retail out-

Mr Amen't himself may tor out to be the long-term victor in the battle. Other participants have presented the deal as muzzling a potentially hostile investor by teaming him with Guinness and obtaining his commitment not to try to break up the LVMH

The Agache camp puts a more bullish gloss on the operation, noting that Mr Arnault has 60 per cent of the joint Guirness-Agache holding, and thus becomes LVMH's leading shareholder while getting the UK drinks company to help finance his FFr10bn (\$1.6bn) investment

Mr Arnault has in the past six months shed Agache's heavy industrial operations, with the sale of Peaudonce napples to Mohllycke of Sweden and of its textile operations to the French group Prouvost, leaving Dior Caline, Lacroix and the Confor ama and Au Bon Marché retailing operations. At 39 years of age he now looks well placed in

BSN, the leading French foods

St Louis takes stake in French paper group

By George Graham in Paris ST LOUIS, the French sugar

group forced earlier this year to abandon its ambitions to become a giant in the food industry, has turned its attentions to the paper sector.

The company has declared a stake of more than 20 per cent in Arjomari-Prioux, the leading French paper group, and is expected to take more than 30 per cent of Arjomari by backing the latter's takeover bid Guerimand-Voiron. another French paper maker which specialises in self-copy-

ing paper.
St Louis will provide a cash offer of FF7500 (\$81.9 m) a share as an alternative to Arjomari's paper bid for Guer-imand, undertaking subsequently to pass these shares to

The stake in Arjomari has been built up by purchases in the market but principally by the acquisition of the 16.6 per cent stake held by Pechelbrown, the Worms Group hold-

ing company.
Worms is also the principal shareholder in St Louis. Mr Bernard Dumon, chairman of St Louis, had originally hoped to construct a major foods group after merging his company with Lesleur, the cooking olls and household

products group. But after selling off Lesieur's cleaning products divi-sion, Cotelle, to the West German group Henkel, Mr Dumon was greenmailed into selling its main cooking oil operation to Mr Raul Gardini's Ferruzzi

Although St Louis retains the William Saurin canned foods and Royal Champignon mushroom business, and in May bought Gorcy, the leading French frozen food producer, from Olida-Caby, Mr Dumon has said that other opportuni-ties for acquisitions in this sector are too rare.

The acquisition of a large stake in Arjomari gives St Louis three major industrial activities broadly equal in weight - sngar, paper and foodstuffs - as well as a financial arm consisting of FFr900r in treasury resources and the company's 3 per cent stake in

NEW INTERNATIONAL BOND ISSUES Offer yield Maturity US OOLLARS Mutow Co.44 Nippon Steele4 NHK Spring Co.44 Diesel Kikle4 Sanyo Special Steele4 Nippon Yakin Kogyoe4 Nippon Yusen KK44 Nippon Yusen KK44 Nippon Synthetic Chem64 Tokai Corn 64 4.250 4.250 4.250 4.125 4.125 4.000 5.250 4.250 4.125 Nomura Int. 1993 1993 1993 1993 1993 1993 1993 1992 1991 2003 1993 1991 1991 1991 1993 2003 1993 2003 1993 2003 Nomura Int. Yamaichi Int.(Eur) Nikko Secs (Europe) Yamalchi Int.(Eur) Tokai Corp. 64 Nippon Electric Glasses Nichii Ltd. 6 Nikko Secs (Europe) Dalwa Europe Nomura Int. Toyo Tire & Rubbero Skopbanko Telefonica de Espanaso Yamaichi Int.(Eur) Nomura int. Warburg Securities 4.000 Sekisul Plasticso Mitsubishi Cable Ind.o Nikko Secs (Europe Nikko Secs (Europe 100 101.025 Nomura Int. 100 Nomura Int. 101.175 CSF8 Finnish Export Credito Sumitomo Cemento B.050 8.172 B.387 B.700 a.511 Denmark+ American General italyo Montreal Trust Co.o 101 ¼ 100 100 100 C. Itah Fuel Co.+ Vishay Intertechnologys+ Thermo Instr.Systemss+ Nikko Secs (Europe) Salomon Brothers Orexel/Shearson L'man 4.750 6.750 Ryosano Nankai Elec.Railwayo Yasuda Trust & B'ings CANADIAN OOLLARS 125 1991 American General+ 10 1014 Goldman Sachs 9.502 AUSTRALIAN OOLLARS TNT Pacific Finances+ 100 Salomon Brothers 9.000 D-MARKS 6.164 5.721 5.325 Eurofima+ 1998 1993 1993 Deutsche Bank Thailand SWISS FRANCS Odakyu Elec.Railway + + 54 Nitto Chemical Ind. + + 54 0.250 0.250 0.250 4.951 1993 1993 1993 1996 1993 1993 1994 1995 2003 1993 1992 SBC UBS 5BC UBS Mitto Chemical Ind. *** Kinseki Ltd.** African Dev. Bank Cerus BV Tabai Espec Corp.8** Marukyu Co.8** War.Soditic/Shearson Bank Leu SBC Bank Leu 5BC EIB+ Ind.Cr.& Inv.Crp.India+ World Bank+ Hogy Medical Co.+++ Yasuda Tst & B'ing§++ Credit Suiss STERLING Alliance & Leicester 1998 100 Merrill Lynch **ECUs** 1993 Total& 10112 Commerzbank 7.257 FRENCH FRANCS Michelins 1.5bn 1998 Banque Paribas 6.000 LIRE EIB♦ 10,464 1996 101 2 B.Comm. Italiana PESETAS 100 Bilbao Merchant Bank 101% Nippon Cre 101% Merrill Lyr 101% Mitsubishi 101% Mitsubishi 100.10 LTCB int. Bergen Bank (h)to Montreal Trust Co.o Kansallis-Osake-P. ******* Kansallis-Osake-P(e)***** Nippon Credit Int. Merrill Lynch Mitsubishi Trust Int Mitsubishi Trust Int Sparekassen SOSt4 which yet priced, we'private placeme Dualsh crows less 5.55%, expressed 7% remainder, to Coupon; 8.56% equivalent to fixed floating rate yen; 35to. Note: Yields are calculated or

Montupet plant creates 600 jobs By Robert Gibbens in Montreal

C\$112m (US\$33m) engine castings plant on the Quebec-Ontatio bor-der, with a staff of more than 600. Governments are providing financial aid. The new plant will compete in the North American

Poulenc raises FFr5.54bn in new capital

BY STEPHEN FIGLER, EUROMARKETS CORRESPONDENT

institutional investors.

MONTUPET, THE French car parts maker, is building a C\$112m (U\$\$3m) engine castings plant on the Quebeo Outatio bor-parts maker.

KHONE-POLLENC, the French state owned chemicals group, has tal notes by the company, which sale of mercal parts maker, is building a c\$112m (U\$\$3m) engine castings plant on the Quebeo Outatio bor-parts maker. The effective cost was more competitive than any alternative form of equity financing. The statement is not explicit.

The statement is not explicit.

The statement is not explicit.

RHONE-POULENC, the French tion involves the issue of perpet-petual nature of the issue and the

The issue, arranged by Mertill, about how this is accomplished.

Lynch International, was placed but it is thought to involve the French Finance Minister, favours with more than 75 international use of zero-coupon bonds.

Mr Pierre Bérégovoy, the new French Finance Minister, favours with more than 75 international use of zero-coupon bonds. se of zero-coupon bonds.

State companies raising funds
Rhône-Poulenc will pay a marfrom the capital markets as long According to Rhône-Poulenc, gin over Libor that, according to as this does not alter their state the "highly innovative" transactive, statement, "reflects the per-ownership.

IS BANCO SANTO SPIRITO

	 1987	BALA	INCE ST	1
•	 V V	(Ilon hillian)	Liobittios	

Assets (fire billion	Liabilities (fire billion)
Cash & Funds with	 Capital, other funds, profit
Cantral Bank . 2,220.5	brought forward 1,034.1
Securities & other holdings	 Third parties funds 19,125.9
Portfolio, lending to customers	 Provisions & other funds 319.5
and contango loans 11,430.8	• Other 1,529.5
• Other	• Net profit for the year 46.6
Corrira accounts 31,144.0	Contra accounts 31,144.0
53,199.6	53,199.6

The Meeting of Shareholders - held in Rome under the chairmanship of Dr. Rodolfo Rinaldi. - has approved the balance sheet at 31st December 1987 which, after appropriations to provisions and other funds of lire 190.1 billion, closes with a profit of lire 46.6 billion.

The Meeting, having heard the report of the Board of Directors and the comments offered by the Managing Director Avv. Elio Tartaglia, resolved to increase reserves by lire 25 billion and to pay lire 21 billion to the Shareholders. Following such resolutions, capital and other funds of the Bank amount to lire 1059.4 billion.

Funds administered amount to lire 19,100 billion, of which lire 11,929 from Customers, an increase of 8.3%. Total lending equals lire 11,430 billion. Customer lending, within the ceiling fixed by the

monetary authorities, increased to lire 5,873 billion (+ 2.7%). Contingent liabilities grew by

International activity has again shown a remarkable growth; liabilities and assets in foreign currencies grew respectively by 39.1% and 26.8%. On a consolidated basis with Banco di Santo Spirito (Luxembourg) S.A., foreign currency deposits reached US\$ 6.2 billion. In January 1987 the Padova branch was opened, and the Modena one will be opened shortly. together, within the year, with New York.

WARDLEY GLOBAL SELECTION 2, boolevard Royal, Luxembou R.C. Luxembourg 8 - 25067

P.O. Box 313, Hong Kong Brand

THE BOARD OF DIRECTOR

This announcement appears as a matter of record only.



Elders IXL (Finance) PLC **Elders IXL Treasury (Aust.) Limited**

Guaranteed by

Elders IXL Limited

U.S. \$500,000,000

Euro-Commercial Paper and Sterling Commercial Paper Programme

Dealers for Euro-Commercial Paper:

Bank of America International Limited

Chase Investment Bank

Citicorp Investment Bank Limited

Credit Suisse First Boston Limited

Societe Generale

Dealers for Sterling Commercial Paper:

Barclays de Zoete Wedd Limited

County NatWest Limited

Samuel Montagu & Co. Limited

Issuing and Paying Agent:

The Chase Manhattan Bank, N.A.

Arranger:

Chase Investment Bank

May, 1988

Ellis bid moving towards resolution

put out a statement later today, concerning the £41m contested cash bid from fellow clothing

group, Berkertex Roldings. Yesterday, the Ellis board spent another day locked in meetings with its merchant bank adviser, Kleinwort Benson.

Stories of a possible "white knight" circulated over the week end. However, contact has also been made with S. G. Warburg. advisers to Berkertex, with a meeting between the two compa-

Ellis & Goldstein is expected to nies and their advisers taking place last night. This suggests that today's announcement may contain a recommendation for the Berkertex bid.

On Friday, Berkertex raised its cash offer by 46 per cent - to 140p a share - valuing its target at £40.8m, and is unlikely to go any higher. Shares in Ellis close last week at 138p

new offer is final, in the absence of a recommendation or the emergence of a rival offer

Dukeminster for market

Dukeminster, a holding company for the Shohet family's UK commercial property interests, has announced that it intends to London and the South-East. come to the main market via a placing at the end of July

Some £15m will be raised in the placing itself - to be sponsered by investment house BZW - and head of this, the company plans to raise a further £25m via an issne of convertible preference shares to American Express and the Shohet family. Net assets of the company, following the plac-ing should amount to some £90m.

S. G. Warburg, merchant bank advisers to property group Peachey, said yesterday that they were aware of some persistent buying of their client's shares last week but suggested that if any stake had been amassed, it would probably be nearer the five cent level - rather than the 10 per cent suggested in the week

Peachey stake

Last week, Peachey shares -which have been dogged by takeover speculation - rose from 23p to 541p, a high for the year.

The company's chairman and chief executive, Mr Saleh Shohet, was previously involved with Hampton Trust, another property about one-fifth of the shares in Hampton ahead of the agreed bid from New Zealand-based Aurora Group last year, and had two board seats. The Aurora stake was subsequently sold to South-end Property Holdings.

Whinney falls

Following the warning given in April, profits of Whinney Mack-ay-Lewis fell to £740,000 in the year ended April 30 1988. This compares with an adjusted £886,000 for the previous eight

Turnover rose to £5.74m (£3.11m) Earnings fell to 8.1p

(11.4p). The final dividend is 2.7p for total of 4.3p, which was the pay-ment that would have been made last time had the company been listed for the full year.

requirements of the Council of The Stock Exchange, It does not constitute an Invitation to the public to subscribe for or

OPTIM GROUP PLC

PLACING BY CONTINENTAL SECURITIES (U.K.) LIMITED of 4,000,000 Ordinary Shares of 10p each at 60p per share payable in full on application

Issued or to be issued fully paid fully paid

£2,000,000 In Ordinary Shares of 10p each £1,191,098 Optim Group PLC specialises in the supply, installation end servicing of software and hardware computer products for

Application has been made to the Council of The Stock Exchange for the whole of the Issued share capital of Optim Group PLC to be dealt in on the Unlisted Securities Market. Details relating to Optim Group PLC and the above shares are available in the statistical services of Extel Statistical Services Limited. Copies of the Placing Prospectus may be obtained during the usual business hours on a weekday (Saturdays and public holidays excepted) up to and including 1st August, 1988 from: Continental Securities Spencer Thornton Northcota.

7 Birchin Lane.

Veritas House, 119 Finsbury Pavement, London ECZA 1JJ. Members of the Securities Association, Corporate Members of the International Stock Exchange

11th July, 1988

The Hongkong and Shanghal Banking Corporation (Incorporated in Hong Kong with fimiled liability)

U.S.\$400,000,000
PRIMARY CAPITAL UNDATED FLOATING RATE NOTES
(THIRD SERVES)

Notice is hereby given that the Rate of Interest has been fixed at 8.1875% and that the Interest payable on the relevent Interest Payment Date October 11, 1988 in respect of \$5,000 nominal of the Notes will be \$104.62 and in respect of \$100,000 nominal of the Notes will be \$2,092.36.

July 11, 1988, London By: Citibenk, N.A. (CSSI Dept.), Agent Bank

£50,000,000

January 9, 1989 against Coupon No. 17.

MATUSCHKA & PARTNER AG

CITIBANCO

Asset Management Zurich

has acquired 100 % of

PALLERGA TRUST COMPANY SA

Asset Management Geneva

Matuschka & Partner AG Beethovenstrasse 32 8002 Zurich Tel. 01 202 84 75

Pallerga Trust Company SA 15, Boulevard des Philosophes 1205 Geneva Tel 022 20 25 22



MATUSCHKA GROUP

Munich, Berlin, Frankfurt, Hamburg, Cologne, Stuttgart, Atlanta, Bermuda, Geneva, London, New York, Pans, Tokio, Toronto, Zunch

US stake in NEI offshoot

By Nikki Talt

Combustion Engineering, the Connecticnt-based process engineering group, is buying a 35 per cant interest in Derby-based international Combustion, previously a wholly-owned subsidiary of Northern

Engineering Industries.
Precise consideration for the deal is not disclosed but, according to NEI, the figure tops £10m.

International Combustion

has long-established links with Combustion Engineering, having had a licence arrangment with the American group since the twenties. Combustion Engineering also held a share stake in International Combustion from the late-1950s, which was subsequently exchanged for shareholdings in Clarke Chapman and then NEI itself, as various mergers took place. In February last year, however, the American company placed out its 18.2m shares -8.7 per cent - in the Tyne-side-based engineering group, but strassed that the trading relationship would continue. NEI said it did not anticipate

Evans of Leeds

Evans of Leeds, property inves-tor and developer, raised its pre-tax profit from £5.62m to £6.31m in the year ended

any increase in the US group's stake at a later stage.

March 81. The dividend is lifted from 4.75p to 5.5p with a proposed final of 3.5p. Earnings worked through at 12.38p (10.9p).

Wintrust ahead

Wintrust, banker, lifted earnings from 25.41p to 27.83p in the year ended March 31, and is raising the dividend from 6.2p to 6.95p with a proposed

final of 4.7p.
Group profit moved ahead to
£4.16m (£4.01m) subject to tax £1.4m (£1.45m).

BEP rises 31%

The Bristol Evening Post saw profits before tax advance 31 per cent from £4.65m to £8.08m for the year ended

This increase was posted on turnover np 11 per cent to £53.03m. After tax of £2.18m (£1.68m), earnings were 15.32p (11.92p). A final dividend raised to 6p (5p) makes a total

Clyde Blowers

After taking account of £66,000 redundancy costs Clyde Blowers, maker of steam and soot blowing equipment, saw pre-tax profits fall from £84,000 to £69,000 in the six months to February 29. Turnover fell to £1.75m

(£1.9m) and earnings per share to 4.8p (5.7p). The interim divi-dend is held at 0.83p.

Lloyds Eurofinance N.V.

Guaranteed Sterling/US Dollar Payable Floating Rate Notes due 1990 For the six months July 8, 1988 to January 9, 1989 the Notes will carry an interest rate of 10.625% p.a. Coupon Amount of U. 5.253.85 payable on January 9, 1989 against

Ciribank, N.A. (CSSI Dept)

Fiona Thompson looks at the £27.4m offer by Telfos for Walter Runciman

Unwelcome suitor rocking the boat

Lord Runciman, tramp ship

Facing him is Mr Jo Malins, a ciman shares at 312p, against its self-described upstart who left closing price on Friday night of school with two A-levels, qualified and practised as a chartered of 300p. now decided that the company he says when the bid was formally wants to direct is Walter Runcilanne, the much changed descendant of that original tramp steamer business.

Table on the company he says when the bid was formally man, the much changed descendant of that original tramp steamer business.

Table on the company he says when the bid was formally man, the much changed descendant of the company has been the bid was formally man, the much changed descendant of the company has been the bid was formally man, the much changed descendant of the company he says when the bid was formally man, the much changed descendant of that original tramp steamer business.

ing date for acceptances. Mr Garry Runciman has responded adverse to buying and selling angrily to the bid, accusing Telfos of blatant opportunism in try-he bought just over 5 per cent of ing to buy his company just as it Baldwin, the Nottingham-based is moving from recovery to a perperty, clay and concrete prod-period of strong growth. ucts group and sold it eight The unwelcome approach weeks later accounted for the air of tension Telfos is likely to make an

at Runciman's annual meeting extraordinary profit of £4m this last month. It was, in the event, year having granted Polly Peck conducted in the sort of respect-international, the trading and ful and measured manner famil-consumer electronics group, an iar to the 87-year-old 2nd Visoption to buy its 20 per cent holdcount Runciman of Doxford, who
was present to hear his only son
and heir rule out any discussion
of the matter on every mind. No
one was to rock the boat.

Continue of the boat.

there is not much industrial common ground between the two breath since he took over as chief companies.

ing company. For many years a number of years as a non-execu-hidlands metal basher, in May tive director. last year its profile changed with the acquisition of a locomotive the remains of Charles Clifford

IT IS a classic fight. In one corner the tail, patrician figure of the With Garry Runciman that the Honorable Walter Garrison Run-Telfos bid appears somewhat ciman, fellow of Trinity College, opportunistic. For every two Cambridge and chairman of the Runciman shares, Telfos is offer-business founded 101 years ago ing a unit comprising three ordiby his great grandfather, the first nary shares, one new cumulative redeemable preference share and 20p in cash. The offer values Run-

accountant until horodom proaccountant until horodom propelled him into being a director
of public companies, and for the
past two years chief executive of
Telfos Holdings. Mr Malins has had risen to 318p and lifted to

Telfoe in June launched a to £4 per share. "The fleet alone 27.4m cash and shares bid for is worth about \$35m (£20m)." Runciman, after building up a says Mr Robert Havard, shipping 24.5 per cent stake during May, analyst at James Capel. "Telfos and Wednesday is the first closury in the detail of a secondary of the first closury in the detail of a secondary of the first closury in the detail of the secondary of the first closury is the first closury in the first closury in the first closury is the first closury in the first closu

Certainly, on the face of it, ber, is for \$13.2m.

here is not much industrial comMalins has rarely stopped for Telfos is a diversified engineer- having been on the sidelines for a

manufacturer. Runciman is still industries, a Birmingham based in shipping, owning six liquified manufacturer of non-ferrous petroleum gas carriers and a sub-metal products and metal spray. stantial warehousing business in ing equipment which ran into dif-Scotland, but also has a security ficulties in the 1980s after operat-side which makes safes, and an ing for over 100 years. After insurance division. Telfos took over as holding com-

FT Share Information Service

The following securities were Conv. Pref. (Industrials). added to the Share Information Service in Saturday's edition: A & M Group 10% Conv. 1998

AMEC Conv. Red. Pref. shs. (Buildings). BBA Group 5.75% Cum. Red.

Handley-Walker Group (Indus

trials). Harding Group (industrials). Isopad International (Electri-Pennine Optical (Third Max tet). Thorritons (Foods).

BOARD MEETINGS

The following companies have motified dates of board resettings to the Stock Exchange, Buch meetings are unsuity held for the purpose of breakdering dividents. Official indications are not evaluable as to whether the dividends are invertise or finals and the qub-off-shore shown below are based mainty on less year's time-

YOGOKAWA ELECTRIC CORPORATION

dfls. 100,000,000 3 3/8 per cent. convertible notes due 1990 subscribe for shares of common stock of Yogokawa Electric Corporation To the bolders of the above-captioned warrants:

You are hereby notified that, as e result of a free distribution of shares of common stock of Yogokawa Electric Corporation to the shareholders of record as of 30th June. 1988, japan time, at the rate of 0.11 shares for each share held, the subscription price of the above-captioned warrants will be adjusted pursuant to coodition 7 of the warrants under the instrument dated 10th August, 1987 from yen 1,340 to yen 1,207.2 per share, effective as from 1st July, 1988, jspan time. The date of issue of the shares to be issued upon such free distribution is 18th August, 1988.

Yogokawa Electric Corporation De Trustee: AMSTERDAMSCH TRUSTEE'S KANTOOR B.V.

U.S. \$400,000,000



The Kingdom of Belgium

Tranche A: U.S. \$150,000,000 Floating Rate Notes Due 1996

In accordance with the provisions of the Notes, notice is hereby given that for the Interest Period 11th July, 1988 to 11th January, 1989 the Notes will bear interest as follows: Tranche A at 84/e%, interest payable on 11th January, 1989 will amount to U.S.\$4,184-72 per U.S.\$100,000 Note.

Morgan Guaranty Trust Company of New York London

BANK OF NEW ZEALAND

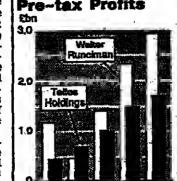
Cayman Islands Branch NZ \$425,000,000 Floating Rate Notes 1992

For the three months 8th July, 1988 to 10th October, 1988 the Notes will carry an interest rate of 14.24091 per cent. Der annum.

interest payable on the relevant interest payment date, 10th October, 1988 will amount to NZ \$183,376.10 per NZ \$5,000,000 Note.

Agent Bank: Morgan Guaranty Trust Company of New York, London

Pre-tax Profits



1983 pany in 1981, overheads were cut and the company saw steadily

The management had been itching to expand via acquisition but had been held back by the Chillington Corporation, which held a 57 per cent stake it did not want to see diluted. This restricwant to see diluted. This restric-tion was lifted when Chillington reduced its shareholding to 15 per cent in May last year and Malins barely watted for the ink to dry before jumping. His target was Hunslet, a Leeds based engineer manufacturing diesel locomotives and fork lift tracks

The acquisition has been an extremely successful one. Just a few months after the purchase Hunslet won a \$15m order to provide 60 locomotives and spare parts for the Channel Tunnel, to take the machines and men to the face and carry the rock out.
Over half of Hunslet's sales come from making locomotives for British Coal to transport miners, it also provides 60 tonne shunting locos for the British Army and diesel railbuses for

"Runchman is the next logical step in the development of Telfos," says Malins. "Our balance sheets are a good fit, Runchman is e company that cries out for more positive, enterprising management. Its record is not impressive, the book value of assets is unchanged over the past five years. They can claim hard luck stories but we feel we can do

Baker Harris Saunders, rea estate and property advisor, returned a pre-tax profit of £3,42m for the year to April 50. The result was incorrectly stated

Baker Harris

on these pages on Thursday.

DM 250,000,000.-

Interest Rate: 4 13/16 % perannum Interest

Period: 1988, to -Jan. 11, 1989 Interest Amount

per DM 10,000.-: DM 245.97

Payable on: Jan. 11, 1989

Earnings per share

Capel's Robert Havard, while

been marvellous. The massive downturn in shipping beset Runciman as it did the rest of the industry, and

there were problems on the secu-rity, side resulting in a series of Shipping remained pretty much Runciman's sole interest until the 1960s, the company was known as Moor Line until 1967, its traditional activity dry cargo tramp shipping. After suffering severe losses in the second world want the company had set about

war the company had set about gradually rebuilding its fleet, sell-ing its last steam ship - Rosemoor - in 1952 and replacing it with the first of its new motor ships. But the sudden, steep drop in freight rates in the spring of 1957 heralded what was to come and Viscount Runciman issued a prescient warning at the annual meeting in June 1958. "It may well be that there are now more tramp ships afloat than the traders of the world will need for

some time to come."

the acquisition of the John Tann safe making business, was not without problems, especially by the early 1980s. "There was overcapacity in the market and Runciman was producing too much of the wrong thing, says Mr Mark McVicar, shipping analyst at County NatWest WoodMac. The company was manufacturing The company was manufacturing safes and vault doors at a time then the industry was shifting away from the traditional physi-

cal side.
At the same time the shipping market remained seriously depressed in 1983 Runciman bit the bullet, halving its security business with the closure of one factory and write-off costs of

stressing that Runciman has taken positive action in recent years and has put the bulk of its problems behind it, agrees that the record over the years has not been marvallests. took the group entirely out of tramp shipping, getting rid of all the bulk carriers, and moved into the specialised LPG market. "Since then we have moved

from recovery to sustained organic growth, "he says, an opinion some analysts concur with, others not. Pre-tax profits have risen from £1.4m for the have risen from £1.4m for the year to December 31, 1985, to £2.9m in 1987, earnings per share from 15.7p to 23.5p. The City is looking for pre-tax profits of about £3.5m this year.

Mr Michael Badeni, private client director at brokers Henderson Crosthwaite, says Runciman

was never going to be a walkover
the family and directors hold a
per cent stake - but reckons
that Telfos might win if a white knight does not appear. Mr Havard at Capel discounts the likelihood of a white knight but still thinks Runciman will fight off the threat.

Certainly Telfos does not have a starting chance at under £4. And if Telfos is just hergain The move into security, with hunting, it may just go away."

PENDING DIVIDENDS

Dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table. The dates shown are those of last year's announcements except when the forthcoming board meetings (indicated thus ") have been officially notified. Dividends to be declared will not necessarily be at the amounts in the column headed "Announcement last year."

The Council of Europe Resettlement and Over-Populati Suresboary/Paris

Floating Rate Notes with Interes Option 1988/1996

from July 11,

DM 100,000 .-: DM 2,459.72

Trinkaus & Burkhardt KGaA Agent Bank

Noble Grossart Limited 48 Queen Street Edinburgh EH2 3NR

EVANS OF LEEDS PLC PROPERTY INVESTMENT GROUP

★ Pre-tax profit up to £6.31 million (£5.62 million) ★ Final Dividend up to 3.5p (3.125p)

★ Total Investment Property Portfolio £100.28m Year to 31st March 1988 1987 Profit available for distribution £5.08m £4.09m Shareholders' funds £60.6m £45.4m

Dividends paid and proposed 5.5p 4.75p Earnings per 25p share 12.4p 10.9p **ROYAL TRUSTCO LIMITED** Yen 12,900,000,000 Reverse Duci --

Currency Debentures Due 1992

Notice is hereby given that the Rate of Interest has been fixed at 15.01666% and that the interest payable on the relevant interest Payment Date October 7, 1988 against Coupan No. 3 in respect of Yen 10,000,000 nominal of the Notes will be NZ\$1,677.60. July 11, 1988, London
By: Citibank, N.A. (CSSI Dept.), Agent Bank

CITIBANCO

This advertisement is issued in compliance with the requirements of the Council of The Stock Exchange.

Prestwick Holdings plc (Incorporated in England and Wales under the Companies Acts 1948 to 1980 Registered No. 1359178)

Placing and Open Offer

3,010,306 71/4 per cent. Convertible Cumulative Redeemable Preference Shares of £1 each at par

Application has been made to the Council of The Stock Exchange for the 3,010,306.7% per cent. Convertible Cumulative Redeemable Preference Shares to be admitted to the Official List. Particulars relating to the Company have been circulated in Extel Statistical Services. Copies of the Listing Particulars may be obtained during usual business hours on any weekday (Saturdays and public holidays excepted) up to and including 25th July, 1986 from:

Prestwick Holdings pic Mosshill Industrial Estate 29 Gresham Street

London EC2V 7HN Speirs & Jeffrey Ltd. 36 Renfield Street Glasgow G2 1NA and up to and including 13th July, 1988 from Company Announcements Office, Quotations Department, The Stock Exchange, 46 Finsbury Square, London EC2A 1DD, for collection only.

FINANCIAL TIMES STOCK INDICES | Second Second

LITTLE MORE than a year ago. John Jarvis, a trim, affable, Oxford-educated mathematician, was running the most profitable division of PA international Consulting Services, a successful London-based consultancy. Today, he is attempting to pilot Mitel, the fallen star of the Cana-

dist, the fallen star of the Canadian high technology firmament, back to prefitability after four years in the financial doldrums.

"I have always been something of a risk-taker," he says when saked to explain this somewhat improbable career decision.

Just how big a risk-taker is received by a glarge at the

revealed by a glance at the lamentable recent track record of tha company based at Kanata, near Ottawa. Since 1983 — when it last turned in a profit — Mitel it last turned in a profit — Mitel has lost more than C\$300m. Although the British Telecom (BT)-controlled private branch exchange (PBX) manufacturer scythed net losses in its latest financial year to March 25 to C\$24.3m from C\$81.5m, further progress will not be made lightly in the still ferocionally competitive current PBX market.

Last Scotember, for example.

Last September, for example, the firm was forced to slash unit prices by up to 20 per cent. This has left the company in what Jar-vis terms "the tronic situation of selling more products but getting

Tha spectacular nature of Mitel's fall from grace is matched only by its astonishing initial success. Founded in 1973 by two young Britons - Michael Cow-pland and Terry Matthews - the company doubled earnings and revenues every year until 1979. At the height of the company's powers in 1980, Matthews even

powers in 1980, Matthews even predicted that turnover would top Citlen by 1985.

But — as so frequently occurs in the fast and fickle high technology sector — this lust to expand eventually undermined the ability of the company's essentially entrepreneurial senior management to control growth in a rational and disciplined way. a rational and disciplined way.

In one 15-month period to May 1984, the value of corporate inventories ballooned by 43 per cent. The company suffered a C\$32.4m net loss in 1983-84, and has been haemorrhaging red ink ever since. Revenues actually peaked at C\$453m in 1986-87.

More than two years after BT's life-saving C\$322m cash injection, employees and shareholders continue to suffer the consequences of the company's failure to adapt. In March, Jarvis announced the lay-off of almost 10 per cent of Mitel's international workforce. The 20-month reign until June last year of Anthony Griffiths -

Jarvis's predecessor as president and the company's current chair-man - was similarly characterised by plant closures and retrenchment.
When Griffiths handed over to

1) \ P!(

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Telecommunications

A fallen star seeks to regain the firmament

David Owen examines the strategy of Mitel, BT's loss-making Canadian subsidiary

Jarvis, who was billed at the time as "a successor with telecommunications background", he was credited with bringing the com-pany's operations under control and stabilising its imancial situation. But BT now privately acknowledges that Mitel is taking longer to turn round than it origi-nally anticipated.

The headline-grabbing redun-

The headline-grabbing redundancies in March were widely interpreted as an indication that BT's patience was wearing decidedly thin.

None the less, Jarvis continues to resist the "quick fix" approach to achieving profitability. There is a difference between getting there by scything R&D expenditure and selling assets, as opposed to addressing fundamental issues and ensuring viability over the medium to long term, he maintains.

According to Jarvis, the recent lay-offs are just one part of a multi-pronged blueprint designed to assure the company's long-term health. In a nutshell, his approach will be better to exploit the BT connection and moved to selling more add-on fea-

senior management structure, problem. The two parties signed tion" at work came to fruition. Nine managers, including the a memorandum of intent on the with the launch last October of Nine managers, inclining the respective heads of the company's semiconductor and tale-ny's semiconductor and tale-phone manufacturing units, now unconsummated agreement was report directly to him. They abruptly terminated for undistributed into the smaller-sized market includa recent recruits from Northern Telecom, Plessey Tele-communications and Polysar, the Canadian petrochemicals pro-

The spectacular nature of Mitel's fall from grace is matched only by its astonishing initial success. The company doubled earnings every year from 1973-79, but it has been loss-making since 1984. None the less John Jarvis (right) continues to resist the "quick fix" approach

Jarvis. "We used just to push who we pushed them to."

the company's extensive 100,000-strong installed base in order to capitalise on potentially reward-ing niches in the rather shuggish PBX marketplace.

The company's extensive 100,000-tures and improvements to its existing installed base, the com-for all sections of the PBX mar-ket with a range which stretches from the SX-10 and SX-20 analog trast to the tight arrangements up-to-48-line systems to the SX-Although the PBX sector in established by many of its rivals) 2000 family, capable of handling North America may be flat, Jarhas been exposed. This has been between 400 and 4,000 lines. The vis says that telecommunications a particularly serious problem in SX-200 series covers the mid markets as a whole are clearly the key US market which range 100 to 400-line market.

gated a programme to encourage dealers to participate in product



arvis. "We used just to push arvis sets great store by what toxes out without remembering he terms "product migration" as who we pushed them to."

Jarvis sets great store by what he terms "product migration" as a means of effectively exploiting Crucial to this new orientation the niches which are eventually is Mitel's relationship with the pinpointed. This process involves dealers who act as middlemen adapting existing models so as to between tha company and its expand the firm's available product range without going back to first principles.

expecting significant growth.

"We have to be able to build on what we have got to exploit new opportunities."

While he looks for such opportunities, Jarvis has wasted no time in revamping the firm's principal US distributions, would do much to solve this senior management structure.

While management structure.

The key US market which range 100- to 400-line market. Starting in April 1987, the company's sales.

Starting in April 1987, the company's sub-100-line product range in North America was compiled in N

In the meantime he has insti- (with capacity of up to 2,000

"While PBX customers have marketing and sales has been the past two to three years we decision to target this market particularly well received externally. "We have to become more area) as we should have been," to sell well in sparsely-populated active in selling products," says he says.

as in the Third World.

Selecting and exploiting given geographical areas where faster-than-average growth is expected is another method by which Jarvis is seeking to sidestep the genral flatness in the PBX arena.
Claarly, this is one way in which the BT link could prove to be an invaluable asset. "We have the products; they have the channels," as Jarvis puts it.

Not surprisingly. Europe, which is set for steady if unspecwhich is set for seaty it inspec-tacular sales growth of some 16 per cent over five years, accord-ing to a recent Logica report, fig-ures large in the company's

nent accounts for less than 5 per cent of Mitel's overall sales. Italy, West Germany and Scandinavia have been singled out as particu-larly happy hunting grounds. "The UK (where 25 per cent of Mitel's revenues are generated) was to the fore in replacing its installed base," Jarvis points out. But that is now coming to a close. Some other countries like Italy have been lagging behind." Cartainly Sweden would appear to present a distinct win-

dow of opportunity for foreign manufacturers. Televerket's long-standing PBX monopoly stands to be abolished by the end of the decade and some 60 per cent of small companies (Mitel's treditional strength) are still using

outdated analog equipment.

The company has also been encouraged by the SX-50's success in securing regulatory approval to instal the equipment approval to instal the equipment in West Germany at the first time of asking. "The interesting thing about Europe is 1992," concludes Jarvis. "As Europe becomes a single market, we foresee a subtle shift (in Mitel's concentration of sales) from the UK to continental Europe."

In addition to the obvious ini-tial tonic to Mitel's balance sheet, the BT tie-up is also aiding the Canadian company by providing delers to participate in product "While PBX customers have canadian company by providing definition and direction, and initiated a series of interviews small public jurisdictions have mology resource in fields like fibre optics, which it can tap into responsible for worldwide PBX dealers and end-customers. "Over explanation of the company's when bidding for business, and by occasionally placing speci-alised senior staff at its disposal for short periods. A further fillip has been pro-

development programme. In the most recent financial year, this enabled Mitel to reduce its own R&D expenditure by a hefty C\$17.8m.

vided by a BT commitment to provide C\$50m over three years

for a SX-2000-related research and

Finally, the terms attached to the BT deal by the UK govern-ment come up for review at the end of this year. Should the joint marketing and sales restrictions imposed as part of this be lifted, it could provide Mitel with what Jarvis terms "a huge shot-in-the-

arm."
"In the past, we have had the nonsensical situation where some of our competitors have heen able to joint-market with BT and we haven't," he continues.

Because of the restrictions, the volume of product sales which Mitel is permitted to make to its UK parent has been capped at the level attained in the year before the deal was struck.

So, while Jarvis shows every sign of bringing to bear an emi-neutly sensible approach to Mitel's problems, the company is far from out of the woods. In AT&T, IBM and Northern Tele-com it faces the stiffest of compe-tition in the critical North Ameri-Excluding the UK, the Conti-

significant recovery just yet.
The company's latest set of results contained both positive and negative signals. Sales revenue from the group's fully digital products was up a sharp 70 per cent from a year earlier, despite softening market conditions.

But sales of analog products will almost certainly continue to decline. "Our main products will increasingly be digitals," says

In all probability, much will depend on the accuracy of the president's assertion that "as far as preparedness for Integrated Digital Service Network (ISDN) is concerned, we feel we are in a people know that is what they very strong position."

The stark divergence of opin-

ion as to the company's future prospects is best illustrated by two conflicting analysts' reports. Toronto-based McLeod Young Weir included Mitel in its top ten Canadian share picks for 1988, Exclusive of extraordinary or unusual charges, Mitel is expected to show a pre-tax profit of does not help service companies between 15 and 20 cents a share in any way. The customer simply in 1987-88," according to McLeod

'Mitel doesn't have the econotelecommunications glants."

The added value of guarantees

Michael Skapinker explains how service companies can benefit themselves and their customers

isfied customers a refund - it will also pay for the job to be done by an extermination com-pany of the customer's choice.

Few service companies are pre-pared to go as far as BBBK. Many offer no guarantees at all, claiming that they are only appropri-

ate for manufactured goods.

"It is one thing to guarantee a camera, which can be inspected before a customer sets eyes on it and which can be returned to the factory for repairs. But how can factory for repairs. But how can you pre-inspect a car tune-up or send an unsuccessful legal argument or had baircut back for repair? Obviously you can't," says Christopher Hart, an assistant professor at Harvard Business School.

can market. Furthermore, the Hart argues, however, that this uniavourable supply-demand does not mean that guarantees environment shows scant sign of can never be used in the service industries. The delivery company Federal Express, for example, undertakes that goods will arrive at their destination "absolutely,

positively by 10.30 am."
Writing in the latest edition of the Harvard Business Review, Hart says that by offering guarantees service companies can gain a significant advantage. Guaranteeing a service encour-ages the company to try to find

out what the customer wants. It also enables the company to set clear standards of performance can promise their customers. A guarantee generates cus-tomer feedback, Many customers

do not complain about service standards because their grievance is often so difficult to prove. "The customer believes the walter is rude; perhaps the waiter will deny it," says Hart.
This absence of complaints

goes to a competitor, leaving the analyst, Robert Tang.

Value Line's Robert Martorala, of why it lost the business.

however, is much less glowing.

An additional problem is that

the customer might not know to mies of scale to compete in that market," he says. "Industry prospects are uncertain at best and Mitel's own niche in small to medium PBXs may prove tough to defend against the coutinual tee — for example that all restautes the coutinual tee. onslaught from well-capitalised rant customers will be served

BUGS BURGER BUG Killers, a tesy - companies give customers Miami-based pest extermination both a standard by which to company, offers an unusual guar- indge them and an indication antee. Not only will it give dissat- that senior management will take

their complaint seriously. A guarantee can also assist the company's marketing. Promising dissatisfied customers some redress helps to reduce the risk they take in deciding to purchase the company's service. It also helps build customer loyalty.

To be effective, Hart says, service company guarantees need to be properly thought out. A good guarantee has five characteris

• It is unconditional. Customers should not need a lawyer to explain the guarantee to them. "A service guarantee loses power in direct proportion to the num-ber of conditions it contains," Hart says. He approvingly describes a retail and mail order organisation in Maine which guarantees "100 per cent satisfac-tion in every way." Customers can return goods at any time and receiva their choice of 8 replacement, refund or credit.

• A good guarantee is easy to understand and communicate. The company should be precise about what it is promising: "ser-vice within five minutes" rather

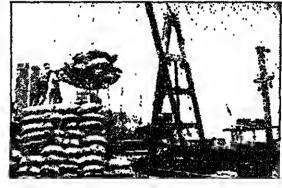
than "prompt service". The guarantee should address those aspects of service which are important to the customer. Hart cites a restaurant chain which promises service within 15 minutes at lunchtime, when customers are in a hurry. The chain does not make the same offer at less-burried dinner time.

 Dissatisfied customers should be offered significant compensation. The pay-out, Hart says, "should be large enough to give customers an incentive to invoke the guarantee if they are dissatis-

 The guarantee should be easy to invoke and the payout should be easy to collect. "A customer who is already dissatisfied should not have to jump through hoops to invoke a guarantee; the dissatisfaction is only exacerbated when the customer has to talk to three different people, fill out five forms, go to a different location, make two telephone calls, send in written proof of purchase with a full description of the events, wait for a written reply, go somewhere else to see someone to verify all the preced-HBR. PO Box 25, 3950 AA Maarn, within 15 minutes and with cour- The Netherlands. Reprint 88405.

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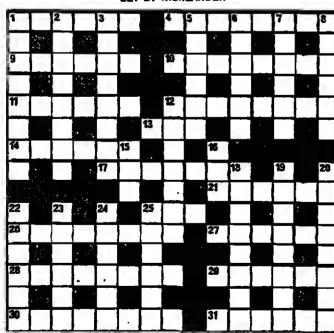
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JOTTER PAD

FT CROSSWORD No.6,678 SET BY HIGHLANDER



- ACROSS

 1 The charm of getting married
- next to racecourse (6)
 4 Fixed point in stronghold (8)
 9 Note sounded by male vocalist (6) 10 Faint loss of electrical power
- (8) 11 Distillation equipment is the
- answer (6)

 12 Battery provides small group of people with power source (4.4)

 13 Pocket what's been staked
- already (3)

 14 Displays left in ship (6)

 17 Go after organ's range of perceived sound (7)

 21 Storm damage? (6)

 25 You'd ask in vain to have travel over snow included (3)
- 26 Live on oot much and get run
- down (8) 27 Would rather give promotion
- (6)
 28 Get free: when outside look for piece of meat (8)
 29 Red and gold flame (6)
 30 Nest part possibly, church part certainly (8)
 31 She'e put some publicity in for surviving (6)
 32 Sailor posted missing (6)
 33 Cirl reveals Clay's new name to American intelligence (6)
 34 Where part of audience sits in hedges (6)
 35 Make mistake bringing up students (4.2)

- eries (8)
 5 Nobody working to maximum capacity (3,8)
 6 Get to grips with equipment
- 7 Wears away Eoglish motor-
- ways, it's said (6) 8 Take up residence in North Yorkshire (6) 12 Abandon in favour of interest
- 15 Spotted hand tool was upside down (3)
 16 Groop of observers initially see fabulous bird (3)
 18 Hot, disorganised, crude but painstaking (8)
- painstaking (8)
 19 Supporting cast is extensive
- one's relative position (8)

 22 Sailor posted missing (6)

 23 Girl reveals Clay's new name
 to American intelligence (6)

 24 Where part of audience sits in
- 31 She'e put some publicity in for curtains (6)

 DOWN

 Hair is inferior to thick padded material for bedding (8)

 The solution to last Saturday's prize puzzle will be published with names of winners on Saturday July 23.

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GUIDE TO UNIT TRUST PRICING

The price at which units may be sold.

CANCELLATION PRICE

The price at which units may be sold.

CANCELLATION PRICE

The maximum spread between the offer and bid prices is determined by a formula tail down by the government. In practice, unit areas manager quere a smuch narrower parasel, As a result, the bid price is often set well above the nithinum permissible price which is called the cancellation price in the tail's. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers or make the case beyond.

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HISTORIC PRICEING

The letter is denoted that prices are set on a historic basis, This means that, unless there has been an intervening portfolio revaluation, kneeters can cornelly buy and sell units today at the prices appearing to the newspaper which have been so the basis of last Friday's asset value.

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FORWARD PRICEING.

TO Return F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or tale being carried out. The prices appearing in the sewapper above the prices at which deats were carried out test Friday.

Other explanatory notes are contained in the last column of the FT Unit Trust information.

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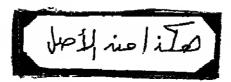
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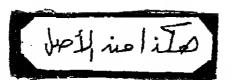
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NOTES Stock Exchange dealing classifications are indicated to the right of security names: a Alpha, B Beta, y Gamma, Unless otherwise indicated, wices and net dividends are in pence and denominations are 25p. Yields are based on middle prices, are press, adjusted to ACT of 25, per cent and allow for value of declared distribution and rights. Therrim since increased or resumed Interim since included, passed or deferred Tax-free to non-residents on application Stock Sto **NEWSPAPERS, PUBLISHERS** Tax-free to non-residents on application 8 to officially UK listed; dealings permitted under rule 535(4)(a) US II: not listed on Stock Exchange and contpany not subjected to some degree of regulation as listed securities. Dealt in under Rule 535(3), Price at time of suspension I indicated dividend after pending scrip and/ov rights issue. Merger bid ov reorganisation in progress Rot comparable Same length; reduced final and/ov reduced earnings indicated Forecast dividend. Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend. Cover does not ullow for shares which may also rank for dividend at a future data. No par value B.Fr. Belgian Francs. Fr. French Francs 59 Vield based on assumption Treasury 81II Rate stays unchanged until maturity of stock; a Annualized dividend. It Riguers based on prospectus or other offer estimate. c Cents. d Olvidend rate paid or pospectus or other offer estimate. c Cents. d Olvidend rate paid or pospectus or other offer estimate. c Cents. d Olvidend rate paid or pospectus or other offer estimate. c Cents. d Olvidend rate paid or pospectus or other offer estimate. c Cents. d Olvidend rate paid or pospectus or other offer estimate. a Recentual or line in higher than previous lotal, a Rights issue pending s Dividend and yield action to special payment. A Net dividend and yield act on prospectus or other official estimates for 1986. 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PAPER, PRINTING, ADVERTISING OIL AND GAS REGIONAL & IRISH STOCKS Le following is a selection of Regional and Irish stocks, the latter being quoted in irish currency. SHIPPING 380 130 +10 150 162 52 +1 166 +1 440 +15 IRISH Nat. 91 % 84/89 £1002 9pt Cap Ln 1996. £982 Fm. 13% 97/02. £119 Australians TRADITIONAL OPTIONS 3-month call rates MEI WEST BIS. Net WEST BIS. P & O DFd. Plessey Polly Peck. Racal Elect. RHM. Rank Org Grd. Reed Legal. STC. SEATS. TI. TS.B. TESCO. THEORY EMIL. TOTHER HOUSES. T. A.N. Unilever. Welkome. Imiustrials Allied-Lyons Amstrad BAT BAT BAT BOL Grp. BSR BOL Grp. BSR BITEL BAT-Lays Bectaum Blue Circle. Booots Booots Booots Booots Booots Booots Caburys Captro Ord. Carburys Captro Cons. Comm Uniod. Contralids. FAT Babcock. FAT Babcock. FAT Babcock. FAT GEC. Gauxo GCC. Grand Met. GUS 'A'. 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Over £31m orders for **Miller**

MILLER CONSTRUCTION bas been awarded contracts worth over £31.6m in the last six weeks. These include: Refurbishment and new extension for Sotheby & Co. in London W1, value £4m, an 84-week project which starts on Angust 1. Two design and build schools for Leeds City Council, value £3.2m, both 60-week projects, starts today.

Fitting ont and Phase Four. Riverside Park, Poyle, value £1.4m. Forty-week contract has Fit out of new Sainsbnry

Supermarket in Grimsby. Value Laboratory, office and produc-

tion accomodation for Bio Separation Associates at Livingstone.

Design and build office and industrial development for Allamanda Estates at Farebam. Value film. Reading University, new short course accomodation and buttery value £2.5m. This 72-

week contract has just started.
Office block for Fife Regional Council. Value £4.1m. Office in Edinburgh for the Scottish Equitable Life Assurance Group. Valne £3.8m.

BORTON CONSTRUCTION, part of the Leading Leisure group, has won contracts worth over £2m. A contract to build a 33,750 sq.ft. two-storey warebouse and offices at Brambles Farm, Waterlooville, worth £1.1m, has been awarded by Osmond & Osmond. A ware-house and offices totalling 15,648 sq.ft., worth £675,000, is to be built for Tingles at Segensworth. A £300,000 contract for a warebouse and offices of 11,000 sq.ft. has been awarded by Botley Flour Milling Company.

Devon County Council has the Pa awarded BALFOUR BEATTY tricts. CONSTRUCTION a £2.4m conflexible pavement on the A380 Olchard Land to Eagle Farm Road, near Torquay.

CONSTRUCTION CONTRACTS DIARY DATES Tweed mill

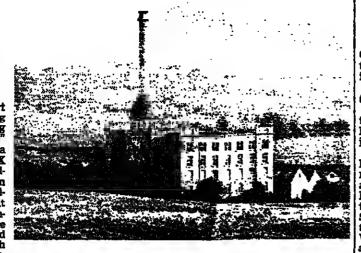
into homes complex

A former tweed mill in the heart of the Cotswolds, at Chipping Norton, Oxfordshire, is being converted into a "country club" style bomes complex under a fl.9m contract awarded to DIX BELGRAVIA by Bliss Mill Hold-ings. The building dates from 1872, and was used for high-qual-ity cloth production until it closed in 1880. Designed by Lancashire mill architect George Woodhouse, the Grade II* Listed building is described by English Heritage as "a remarkable opu-lent design in a park-like set-ting," and also "a Barry-type con-ception of a country house."

Under the contract, the mill and some associated outhuildings, will be converted to form 44 es of between one and four bedrooms each. Completion is due in the summer of 1989.

The main structure is of stone

and brick with cast iron columns supporting transverse beams and brick vaults springing from 'P section girders. This will remain unaltered, save for installation of an additional staircase and service ducts. The original 'Tuscan'



chimney will be retained as a fea-

In the five-floor mill building.
34 apartments of between 800 and
2000 sq ft will be constructed,
with interior design emphasising

the building's Victorian origins.

The former 'warping shed' is to be converted to eight houses of between 1100 and 1450 sq ft, and the warping shed is to be converted to eight houses of between 1100 and 1450 sq ft, and

Restoration work will make use of original materials, includ-ing slates, stone and cast iron columns, reclaimed from redun-dant buildings on site, which are being demolished.

A feature of the development will be a leisure complex solely for the use of residents. This will include a covered swimming the original gate lodge will propool, squash court, tennis courts vide two further homes of 1200 and gardens, fully-maintained by and 1400 sq ft. A further building trained staff. Secretarial and will be converted to form meeting room facilities, plus a garages. Site works will include a 'fax' line will also be provided to new road link to the A44, and meet the needs of residents with business interests.

Leisure centre at York

LAING MANAGEMENT CON- summer 1990. TRACTING has won a £20m plus order to build the Monks Cross sbopping and leisure centre at centre will comprise 65 retail

Securities. Work begins on July screen multiplex cinema, seating 22, with completion scheduled for about 2,000 people.

units plus department stores. All The contract for the 400.000 entrances will be at ground level. so ft. project was awarded by standard Commercial Property Facilities will include a ten-

Water treatment plant

NORWEST HOLST has been awarded a contract worth nearly 27.5m to construct a water treat ment plant in Renfrewshire, Scotland, for Strathclyde Regional Council at Muirdykes Treatment

The company will build the new works adjacent to the existing works, which will be de-commissioned soon after completion. Included in the contract is construction of extra storage capac-ity for the plant, which serves the Paisley and Renfrewshire dis-

When completed in summer tract for construction of 2km of 1990, the plant will treat raw dual two-lane carriageway in water at a maximum rate of 60 megalitres per day, process the waste and store the treated

buildings to house the dissolved air flotation cells, rapid gravity filters and sludge treatment plant. Four tanks will also be installed - a washwater tank, an underground contact tank, a 19.800 cu metres low-level clear water tank and a 9,300 cu metres

high-level clear water tank.

ISIS CONSTRUCTION has tol.
received contracts worth \$7.6m. Other projects include the in Maldstone the company is to management contract for the Aztec West, Bristol, a contract

Spread of work for Kier

KTER WESTERN, part of Beazer, has been awarded contracts with a combined value of almost £15m.
These include student accommodation (£2.9m)for Bath University; four retail units (£2.4m) for Longcroft Estates in Docks Way, Newport, Gwent; the fitting

out contract for a new office development (built by Kier West-Work includes construction of ern) at Barnwood Fields, Gloucester (£1.9m) for Imperial Trident; factory units for the Welsh Development Agency (£1.9m) at Oakdale; and a nursing bome in Plymouth (£1m) for Trenhawke.

Design and huild projects include 78 flats in Swansea (£1.7m) for Kingdomwide Devel-opments; and a clubbouse for Knowle Golf Clnb (£300,000) Bris-

build two steel-framed brick clad refurbishment of Monmonth office blocks linked together, Walk at Cwmbran Town Centre with car parking, worth £3.4m. At £500,000)for Ladbroke City and County Land Co., a primary from Sun Alliance Assurance school (£1.3m) for Gwent County Group, worth about £3m, is for Council and a primary school construction of a print ware (£1.2m) for Mid Glamorgan County Council.

PARLIAMENTARY

TODAY Commons: European Communi-ties (Finance) Bili, second read-

ing.
Motion on the Rate Support Grant (Scotland) Order. Court of Session Bill, remaining stages. Lords: Housing Bill, second read-

Motions on Town and Country Planning Regulations, Environ-mental Assessment Regulations, and Highways (Assessment of Environmental Effects) Regula-

Select committee: Televising of the proceedings of the House. Witnesses: Broadcast Debates and Broadcast Communications. (Room 8, 6 p.m.)

TOMORROW Commons: Opposition dehate "The growing divide between rich and poor in London" followed by debate "Public Provi-sion for Sport for All."

Charges and Exemption) (Amendment No. 2) Regulations.

Debate on EC documents on the control of chlorofluorocarbons and the ozone layer. Lords: Debate on Defence Esti-mates White Paper 1988.

Question to the Government on. action being taken to safeguard and conserve the artistic heritage in national and private hands. Select committees: Employment subject, Legionnaires Disease in the working environment. Witnesses: Broadcasting and Enter-tainments Trades Alliance and Cogent. (Room 20, 335 p.m.) Members' Interests: subject, parliamentary lobbying. Wit-nesses: the Public Relations Con-cultants' Association and the

nesses: the Funit Relations Con-sultants' Association and the Institute of Public Relations. (Room 15, 4.15 p.m.)

Transport: subject, air traffic control safety. Witnesses: Joint Airmiss Working Group and

WEDNESDAY

Commons: Ways and means reso-Intion relating to the Finance (No. 2) Bill. Progress on remaining stages of the Finance (No.2) Bill.

Motion on short speeches. Lards: Road Traffic Bill, committee on re-commitment. Road Traffic Offenders' Bill, committee on re-commitment.
British Steel Rill, third reading.
Local Steel Rill third reading.

Bill, third reading.
Select committees: Environment:
subject, toxic waste, Witness:
Sonth Yorkshire Hazardous
Waste Unit. (Room 21, 10.30 a.m.)
Education Science and Arts: subject, scrutiny session. Witnesses: Mr Kenneth Baker, Education Secretary, and officials.

(Room 16, 3 p.m.)

Transport: subject, airline competition: CRS. Witnesses: Civil report on st institutions.

Motion on the Wireless Teleg- Department of Transport. (Room 17, 3.30 p.m.)

raphy (Broadcast Licence 17, 4.15 p.m.)

Charges and Proposition (American Police) Complaints Authority. Witness: Home Office. (Room 20. 6.15 p.m.)

THURSDAY Commons: Completion of remaining stages of the Finance (No. 2)

Motion on Redundant Mine workers' Concessionary Coal (Payments) Schemes (Amendment) Order. Motion on the Army, Air Force.

and Naval Discipline Acts (Continuation) Order. Lords: Health and Medicines Bill. committee.

Motion on the Docks and Har-bours (Rateable Values) (Amendment) Order. FRIDAY

Commons: Debate on Hong Kong. Lords: School Boards (Scotland) Bill, second reading.

Debate to take note of EC report on staffing of Community

FINANCIAL

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Warner Howard 2.07p
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TYMINGER SYSTEMS

COMPANY MEETINGS-Fairnier, The Buchers Hall, 87 Bertico Cross, E.C., 12:00 Serman Smaller Companies hill, E.C. E.C., 12.00 or Druce, 21 Manchester Square, W., 10.30 incland Properties, Bowster House East, New England Properties, Bowster House East, 65 Knightsbridge, S.W., 2.15 Oaborne & Little, The Waldorf Hotel, Aldwych,

10.30 lan Props., Free Trade Wharf, 350, Highway, Wapping, E., 11:20 Selisire Ins. Invs., The Insurance Hall, 20 Alder-manboy, 12:00 Summer Intl., The Comberland Hotel, Marble Arch, W., 10.00 BOARD MEETINGS

Terrace, W., 11.00 Vedge., 9, Const Micropen Hidge.
Morris Ashtoy
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DNIDENO AND INTEREST PAYMENTSCalese Centrale De Cooperation Scon.
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WEDNESDAY JULY 13 COMPANY MEETINGS-Rooms, Capel & Leonard, The Commu-Rooms, Greet Coven Street, W.C., 11.00 lewson Inti., Caledonian Hotel, Edinburgh, Ingilah and Inti. Tat., 11 Devonshire Son 0 (John) & Son, Black Dylve M (Bradford, 1230 Throgmenton Trust, Honoural spany, City Roed, E.C., 1230 11 Duffryn, The Waldorf Hotel

Low & Bonner Norfolk House Grp. Wilen inv. 3 Finable
BOARD MEETINGS
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Leads. Exercised I. S. Elde Ratin B.

Saltire Insurance Invs. 2.25p TR North America Inv Tat 1.5p THURSDAY JULY 14 COMPANY MEETINGS-Asides Brothers, The Old Cottages, Lower Bond Street, Hindday, 72:00 Frontygrove Inds., Plough & Harrow, Hagley Road, Birningham, 12:00 Indiana Methaganid Titus, Tallis Huma, 2, Tal-

. :

Etilott (B.), General Council of British Shipping, 30-32 St. Mary Axe. E C., 12:00 Marks and Spencer, Royal Lancaster Hotel, Lan-12.00 ne City of London Club, 19 Old Broad L.E.G., 12.00

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Norfolk House us., Plank Org. DIVIDEND AND INTEREST PAYMENTS-DIVIDEND AND INTEREST PAYMENTS-Anglis Bidg. Soc. Fig Rate Nts Jan 1996 2104.09 Bank of Nova Scotle (20.19 Creditaristals Bankvarein Sub Frag 194.32 Funding 32-2pc 1869/2004 1,75pc Handing Associated India. Sp Laure Eurofinance Fitty Glid Rate Nos \$200.64 one North Sea 91cm Cav Bds 1999 4.75nc Interests 3.82p al Bank of Canada Fito Rais Dep No. July 1991 \$197,4 1991 5197-49
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Marray Ind. 13t. 3.9pc P1 1.95p
Netional Australia Benti, ASO.15
North Surney Weter 5¹gpd Deb 2⁵gpd
Do, 4gp Deb 2⁴gpc
Do, 4gp Deb 2pd Do, 4pc Deb 2pc Do 714pd Red Deb 1991/93 35pc Northern Ind, Improv. Tst. 5p

bition (0543 255253)

Furniture Show (01-724 0851)

Angust 14-18 Gifts Fair (0395 272010)

Antiques Fair (0444 459917)

August 7-10

August 12-13

(01-727 1929)

August 18-21

Show(0703 737400)

NEC, Birmingham

G-Mex Centre, Manchester

Kensington Town Hall

Hove Town Hall

APPOINTMENTS

Swire senior post

Mr Michael Miles, formerly was director of corporate finan-chairman of the Swire Group in cial planning with Saatchi & Hong Kong, has been appointed an executive director of JOHN SWIRE AND SONS from August 1. He joined the company in 1958, and among other posts in the gronp, has been chairman, Cathay Pacific Airways, and chairman, Swire Pacific.

Mr Derek Flynn has been appointed managing director of STELRAD GROUP, a division of Metal Box. He takes over from Mr Rodney Haynes who will become group executive chairman. Mr Flynn was operations director.

Mr W.E. Clifford, Mr J.D. Find-lay and Mr M.W. Welton have joined the hoard of STENT FOUNDATIONS, a Balfour Beatty subsidiary.

ROCKWARE GROUP bas appointed Mr Alexander Grant as sales and marketing director of Rockware Glass. He was sales and marketing director of Feder-ated Potteries and Allia UK.

Mr Wayne Felton, who joined RELIANT MOTOR as company secretary and finance director designate in April, has become finance director. He was with Apricot Computers as chief group financial accountant.

Sir Fred Pontin, the former holi-day camp chief, has become chairman of PONTI'S, a London restaurant group.

Mr David Barker has been chairman, appointed group finance director director to of PROSPECTIVE GROUP. He appointed.

Mr Stephen Todd bas been appointed managing director of BUSINESS DESIGN GROUP, a wholly-owned subsidiary of the WPP Group.

Mr Michael Hulls, development director, has been appointed to the board of SELECT COUNTRY

Mr Jon Fairbrother has been appointed to the board of WAL-TER LAWRENCE PROJECT MANAGEMENT. He was with Trollope & Colls Management as a technical director.

Mr Eric Ridgewell has been appointed UK sales manager of COMPAIR BROOMWADE, He was director of UK sales for Perkins Diesels.

Sir Laurence Airey has replaced Mr Norman Lessels as a non-ex-ecutive director of SCOTFRESH. Sir Laurence recently succeeded Mr Lessels as vice chairman of Standard Life, of which Mr Les-sels has become chairman. Mr Gavin Hepburn, chairman and managing director of Fife Ind-man, has also been appointed a non-executive director of Scot-

Mr Kevin Pakenham, managing director of FOREIGN & COLO-NIAL MANAGEMENT, will be leaving on August 1 to take another post. Mr Oliver Dawson, chairman, will act as managing director until a successor is

Wales Quality Centre

The recently-formed WALES QUALITY CENTRE has chosen Mr Edwin Merrette, managing director of the AB Electronic Products Group, as its chairman, writes Anthony Moreton, Welsh Mr Fred Dobbs, a former direc-

tor of Saunders Valves, is executive director. The Centre has been set up, with its headquarters in Treforest, ontside Cardiff, to belp proselytise the message that "com-

panies must be aware of the importance of a total commitment by management and work-ers to quality at every stage of their manufacturing process or service," according to Mr Mer-

The Centre has been developed out of the Wales Quality Involve-ment Trust, formed in 1984 by Mr Vincent Kane, a local broad-caster, who is its vice chairman. Support from a wide cross-sec-tion of Welsb industry has been

the Welsh Regional Management (6018) Centre at the Polytechnic of Wales, among its governors.
One other governor is Mr Sue-hiro Nakamura, director of Sony one other governor is an one hiro Nakamura, director of Sony Europe - Getting to grips with (UK). Japanese executives in the competition (01-839 7000)

Control Point London Wales have not, up to now, played much role in the wider community, restricting them-selves to their own company's

Trade Fairs and Exhibitions: UK

World Wine Fair - including gour-met food section(until July 16) **Bristol Exhibition Centre**

July 15-16 Cash and Carry Fashion Fair Cash and Carry Fashion Fair (01-727 1928) Kensington Town Hall July 17-21

Gift trade fair (0282 867153) Harrogate July 19-24

British Music Fair (0753 41963) Wembley Exhibition Centre July 21-28 Trade Opportunities in China September 16-24 (seminar on July 22)(0772 203020) British Marine Industries Federa

Preston Guild Hall Sales solutions- The Event Exhi-

Current
Hospital Exhibition (until July Traffic Engineering and Road
14) (01-439 4452)

August 30-September 1
Traffic Engineering and Road
Safety Exhibition - TRAFFEX

July 20-21 Cologne Fashion Fairs Interna-tional Trend Show (01-930 7251) Cologne August 16-18 Fashion Week 01-937 8050) **Tel-Aviv**

Tel-Aviv August 22-24 Nordic Fashion Fair (01-486 1951) Helsinki Office Equipment, Technology September 7-9 and Computer Systems Exhibi- International Autumn Fair tion (0494 729406)

Overseas Exhibitions

tion International Boat

September 4-8 Crystalware, China, Ceramics. Jewellery, Gifts and Furnishing Articles Exhibition - EUROPA-CADO (01-434 1825)

Brussels September 6-10 Building and Construction Exhi-bition - CONBUILD (021-454 3385)

(01-977 4551)

Business and management conferences

Frost & Sullivan: Improving 1992: The new Europe – Getting operations workflow (01-730 3438) to grips with the competition (01-379 7400) (0223-460277)

guaranteed by the presence of Mr Industrial Participation Associa-David Jenkins, secretary of the tion: People and pay — the Wales TUC, and Mr R Lewis, of impact of decentralisation (01-403

Barbican Centre The Economist: 1992: The new Centre Point, London

London Chamber of Commerce: Lowe & Gordon Seminars: Com-Chile – Its expanding economy mercial conveyancing (01-493 and trade opportunities (01-248) Marriott Hotel, London July 21

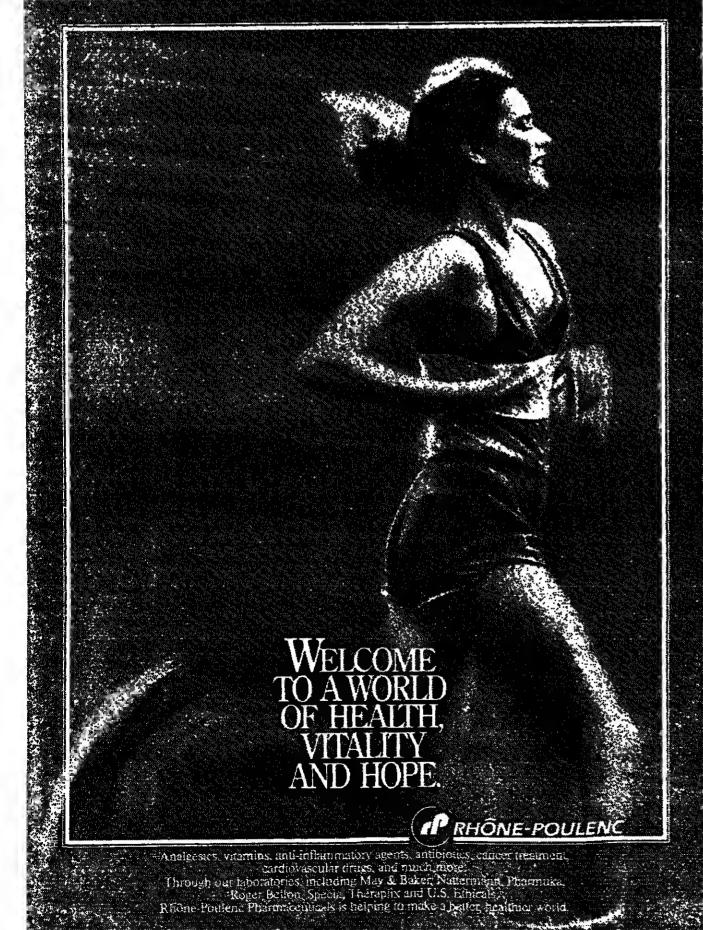
CBI Conferences/The Economist

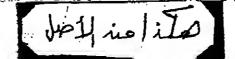
Centre Point, London Careers Research and Advisory July 27-29 Centre: Insight into management The Industrial Society: Effective negotiating skills (01-262 2401) Central London

July 20
Industrial Participation Association and pay – the making strategic European bannen (01-837 1138) expansion happen (01-837 1133) Le Meridien Hotel, London

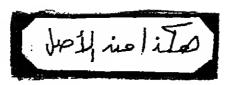
August 1-5 Management Centre Europe: The

Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there have been no changes in the details publish

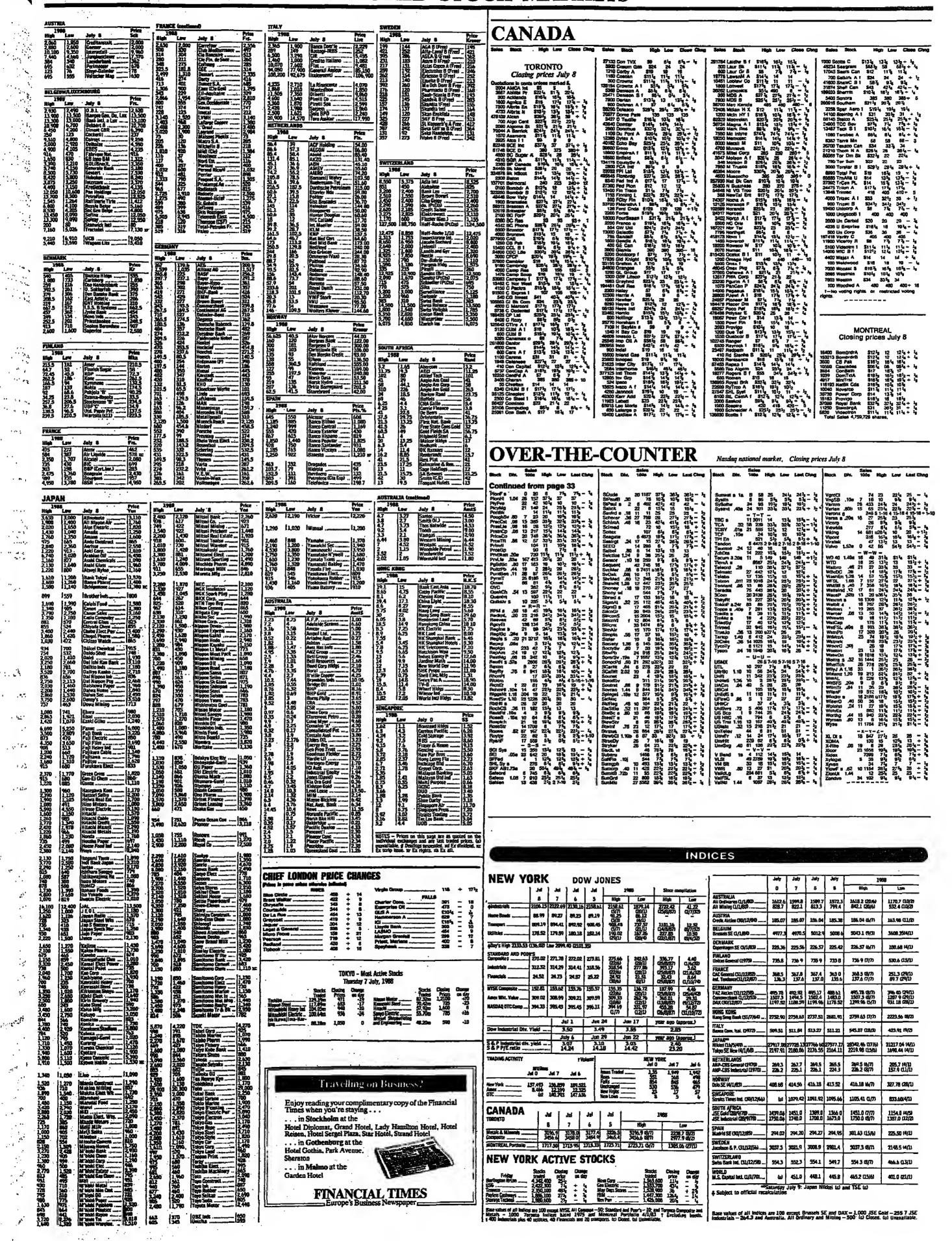




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WORLD STOCK MARKETS

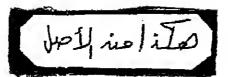


NEW YORK STOCK EXCHANGE COMPOSITE PRICES

Closing prices July 8 22 | Foldon 17.2 | 1.10 | 6.200 | 4.14 | 4.14 | 1.15 | 2.200 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.

1915 | Michael | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201

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Financial Times Monday July 11 1988

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FOREIGN EXCHANGES

A difficult week for not stating the obvious

A COMPETITION begins today for all market analysis with input screens on Reuter Monitor, dollar can improve on its recent ted rise led to speculation the beginning of the year. Telerate, or any other system. There are no prizes, but the name of the game is to be the last to mention the fact that financial

markets are adopting a wait and see attitude ahead of the US trade figures on Friday. It is fair to say that the eco-nomic forecasting network in New York and London expects a deterioration from the surpris-ingly low April trade deficit of

STERLING INDEX

CURRENCY RATES

weakening of the currency in the

monetary policy, and a rise in interest as a result, boosted the In London this week attention will focus on the outlook for

LIGS	y.	WI	μ,	ÞΙΟ	DAIL	
YCY	UN	İΤ	RA	TE	S	

MS EUROPEA	IN CURRE	NCY UNIT	RATES		
	Ecu central rates	Carrency amounts against Ecu July 8	% change from central rate	% change adjusted for divergence	Divergence Hind: %
elgian Franc unish Krose grown D-Mark grown D-Mark grown Bellider nich Gollder sch Pont lilan Lira	42 4582 7.85212 2.05853 6 90403 2.31943 0 788411 1483.58	43 5040 7.89152 2.07789 6.99164 2.33976 1539.84	+2.46 +0.50 +0.94 +1.27 +0.86 +0.67 +3.74	+117 -035 -043 -043 -043 -043 -043 -043	±1.5344 ±1.5404 ±1.0981 ±1.3674 ±1.5012 ±1.6684 ±4.0752

July 8	Oay's seread	Close	One courts	%	Three zoonhs	*
	347 6/60			_	eanellis.	_
JS	1.6995 - 1.7125	17015 - 17025	0.32-0.29com	2.15	0 95-0.90pm	217
anada	2.0565 - 2.0685	2.0595 - 2.0605	0.17-0.07cpm	0.70	0.43-0.31pm	0.72
letherlands _	3.50% - 3.52%	3514-3524	14-15com	5.75	4%-4% pm	5 46
Selgtum	65 05 - 65.40	65.20 - 65.30	21-18cpm	3.59	61-57pm	3.62
Jeomark	11.824 - 11.864	11.85% 11.86%	2-1 4 oreom	-1.71	5 k-Som	-181 241
reland	1.1585 - 1.1650	1.1615 1.1625	0.35-0.25cpm	3.10	0.75-0 65pm	2.41
N Germany	3112-313	3 124 - 3.13	1-1-1-potom	5.52	43-44pm	5.52
ortogal	252.45 - 254.35	25245-25345	15-45cdis	-142	85-1750s	-2.06
gain , ,	205.90 - 206.50	206.00 - 206.50	per-7cdis	-0.20	16-27dis	-U 42
taly	2307 4 - 23164	23157 - 23167	par-2liredis	-0.52	3-54s	-0.69
COTTON	11.28-11.324	11.314 - 11.324	24-34 oredis	-3.18	83 ₂ -83 ₂ pm	2.91
rance	10.47 % - 10.52 %	10.514 - 10.524	2½-24cm	0.90	7-6% por	2.59
wretten	10 71 2 - 10 74 4	10724 - 10.734	par-koreds	-D.42	par-ydis	-0.09
	Z264 - Z27 4	2264 · Z274	14-Lyom	5.62	3 k-3pm	5.51
lustria	21.85 - 21.95	21.86-21.90	103-93 groom	542 634	30%-20 pm	464
witzeriami	2.59-2.60	2594 - 2604	12.14cpm	6.34	414-4001	6.34

European Currency Unit,

Drawing Rights

CURRENCY	WOAEW	ENTS
July 8	Bank of England Index	Morgan ^{no} Guaranty Changes %
Sterling U.S. Dolfar Canadian Bolfar Austrian Schilling Belgian Franc Doutsche Mark Serbs Franc Guilder Franc Guilder Franc Lifa	75 2 97 8 84 8 134 6 96 1 104 5 168 6 133 1 69 8	-174 -10.8 -1.9 -5.9 +5.9 +20.9 +21.4 +15.7 -14.1 -20.8

OTHER CURRENCIES

_		
July 8 .	£	5
Argentina	15 3770 - 15 4715	9.0200 - 9.0700
Australia	2.1290 - 2.1320	1.2515 - 1.2520
Brazil	344.15 - 346 00	201.85 - 202.85
Finland	7,4015 - 7 4230	4,3500 - 4,3520
Greece	247 90 - 252 20	144 85 - 147 25
Hong Kong	13.2950 - 13.3115	78140-78160
Iran	119.50*	69 50°
Korea/Sth)	1238 30 - 1248 25	728 40 - 734.40
Kuwalt	0.48000 - 0.48100	0.28180 - 0 28190
Linconboary .	65.20 - 65.30	38.30 - 38.40
Malaysia	4 4555 - 4 4670	26160-26190
Mexico	3893.75 - 3899 45	2234 00 - 2286.00
N. Zealand	2.4885 - 2.4935	1 4600 - 1 4620
Swdi Ar	6.3900 - 6.3950	3 7500 - 3 7510
Singapore	3 4820 - 3 4875 3 9905 - 4,0015	2.0440 - 2.0460 2.3485 - 2.3500
5. At (Cm)	5 8995 - 6 0035	3 4600 - 3 5230
S. Af (Fa)	49 15 - 49 40	28.70 - 28.80
Talwan	6.2575 - 6.2635	36725 - 36735
U.A.E	0.2713-42000	20171-720122

FORWARD RATES

100	Spot	nth	mttg.	oths !	nuis
US Dollar	1 7020	1 6989	1 6927	1.6840	1,6708
O-mark	3 1275	3 1130	3 0847	3.0442	2,9700
French Fr.	10 523	10 521	10 519	10.512	10 310
Swiss Fr.	2 6025	2 5885	2 5615	2.5210	2,4454
Yen	226 75	225 66	223 56	230.50	214.96

MONEY MARKETS

LONDON'S FINANCIAL markets will be looking closely at this week's figures on UK producer prices and average earnings for any sign that the figures could lead to further upward pressure on hank base rates

Last week was very calm as far as the London money market was

concerned. Credit shortages were on a relatively small scale, and were so easy to finance that the discount houses had little need to

FT LONDON INTERBANK FIXING

(11 00 a.m. July 8) 3 months US dollars

on bank base rates.

this month, and it does not seem to be out of the question that it could reach Y140 in the short term, but there is a strong body of opinion looking for another

stance sufficiently since tha beginning of the year. Federal Reserve may become con-cernad about the inflationary implications.

The possibility of tighter US There remains considerable uncertainty about the economic picture on both sides of the

The main figures of interest will be today's producer price index for June and Thursday's

weakening of the currency in the longer term.

New York and London expects a deterioration from the surprisingly low April trade deficit of 39.9bn. The median forecast for the May deficit, according to a survey by MMS International, is 311bn.

The market will probably be relatively content if the deficit

The MFIM VODE

weakening of the currency in the longer term.

County NatWest believes the dollar may fall below Y120 at some time in the last quarter of the year, and will decline to around Y115 in the first quarter of next year.

A rise of 346,000 in June US files before the Senate Banking non farm employment came as something of a shock on Friday.

	NCY UNIT	_	ny say u	e tem
1	Currency amounts against Ecu July 8	% change from central rate	% change adjusted for divergence	Divergenc Ismit %
SREEN	43.5040 7.89152 2.07789 6.99164 2.33947	+2.50 +0.50 +1.27 +0.86	+L17 -0.79 -0.35 -0.02	±1.5344 ±1.5404 ±1.0981 ±1.3674

Drunges are fi Adjustment ca	or Ecu, therefore pos liculated by Flosocia	itive change denotes a I Times.	west correspy			
POUNC	SPOT- FO	RWARO A	GAINST T	HE P	OUNO	
July 8	Oay's spread	Close	One month	Pà.	Three exemps	D.E.
is	1695: 1.7125 2.0565: 2.0685 3.504: 3.524 6.505: 65.40 11.824: 11.864 11.825: 11.650 3.114: -3.13 252.45: 254.35 205.90: 206.50	17015 17025 2,0595 - 2,0605 3,51 \k - 3,52 \k 65,20 - 65,20 - 65,20 11,165 \k - 11786 \k 1,1615 1,1625 3,12 \k - 3,13 252,45 - 253,45 276,00 - 206,50	0 32-0 29cpm 0.17-0.07cpm 1%-1%cpm 21-18cpm 2-1-19cepm 0.35-0 25cpm 1½-1-19cpm 15-45cds psc-7cds	215 0.70 5.75 3.59 -1.71 3.552 -1.20	0 95-0 90pa 0.43-0 31pm 47-43 pm 61-57pm 5-5pm 0.75-0 65pm 41-4 4 pm 85-175ds 16-27dis	217 0.72 546 3.62 -1.81 -2.41 -5.52 -4.42

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

July O	Day's soread	Close	One month	% pa	Taree months	94
	16995 - 1.7125 16600 - 1.4745 12140 - 1.2115 2.0535 - 2.0700 38 05: 38.40 6.901 - 6.97 1494 - 150 120.15 - 121.35 1394 - 13019 6.913 - 6.654 6.13 - 6.184 6.13 - 6.184 112.30 - 133.25 12.794 - 12.87 12.30 - 133.25 12.794 - 12.87 15.140 - 1.5300	1.7015 1.7025 1.4640 1.4650 1.2090 1.2100 2.0690 2.20700 38.30 38.40 6 964 6 97 1.8378 1.8380 1.494 1.50 1.21.25 1.21.35 1.364 1.3614 6.65 6.654 6.30 6.304 1.33.15 1.33.25 1.267 1.2570 1.5300	0.32-0.29cpm 0.13-0.21cdls 0.13-0.11cdls 0.64-0.62cpm Bar-0.50erdls 0.54-0.53cpm 15-65cdls 18-350tredls 2.80-3.50tredls 0.40-0.20cpm 1.20-1.30cedls 0.42-0.39cput 4.00-3.00cpm 0.56-0.54cpm	215544857435884825587678844	0.95-0 90pm 0.30-45ds 0.43-4 4dsis 1.73-1.70pm 16-5-13 5pm par-0.50ds 1.57-1.75pm 1.00-20dds 63-73ds 9.00-10.00ds 63-73ds 9.00-10.00ds 0.59-0.70pm 1.60-1.45pm 1.50-9.50pm 1.50-9.50pm	217 148 334 157 403 403 281 281 281 281 281 281 281 281 281 281
UK and Irela	ed are quoted in US	currency, Forward p	rentums and discour	ds apply b	a the US dollar and	not to the

EURO-CURRENCY INTEREST RATES

July 8	term	BOCKE	Mouth	Months	Months	Year
Sterling US pollar Lon Botter D, Guister D, Guister Sw. Franc Destschmark Fr Frape R, Fr, (Fig S Fr, (Con.) Yes O, Krone Asaa SSing	91,376 91,476 91,476 42,476 42,477 91,40 9	94.94 74.75 94.44 34.44 45.77 104.64 64.64 64.64 87.5 71.75	95-94 75-754 94-44 35-31-45 74-75 10 5-10 65-65 45-45 81-85 75-75	103-104 81-8 91-92 41-94 312-34 72-72 11-104 63-64 84-84 84-84 84-73	10-10-10-10-10-10-10-10-10-10-10-10-10-1	101-102 84-84 101-91 54-54 54-5 77-7-11 113-111 64-64 7-64 41-41 81-81
Long term Eurodoll 91 ₂ -91 ₄ per cent nomin	lars: two years al. Short term	9-8% per cent; rates are call f	three years 91 ₀₋ 5 or US Dollars ar	per cent; four y nd Japanese Yen	ears 93 ₈ -93 ₈ per others, two day	ceul; five years

Joly 8		5	OM	Yes	F Fr.	S Fr.	H FL	Lira	CS	8 Fr
£	0.588	1702	3.128 1.838	226.8 133.3	10.52 6.181	2.603 1.529	3.523 2.070	2316. 1361	2.060 1.210	65.2 38.3
OM YEN	0,320 4,409	0.544 7.504	13.79	72.51 1000.	3.363 46.38	0.832 11.48	1125 1553	740.4 10212	0.659 9.083	20.8 287.
F Fr. 5 Fr.	0.951	1.618 0.654	2.973 1.202	215.6 87.13	10. 4.041	2.474 1	3.349 1.353	2202 889.7	1.958 0.791	62.0 25.0
N FI. Lira	0.284 0.432	0.483 0.735	0.888	64.38 97.93	2.986 4.542	0.739 1.124	1521	657.4 1000.	0.585	18.5 28.1
C S 8 Fr.	0.485	0.826	1.518	110.1 347.6	5,107 16.12	1.264 3.989	1.710	1124 3549	3.157	31.6 100.

Discount houses take a relaxed view rely on the Bank of England for There has therefore been no to hold a certain level of reserve assistance.

Uncertainty in the market another result of the uncertainty lent to the discount houses.

Uncertainty in the market about the future economic pichas been that financial institutions have kept money in the tions have kept money in the short end of the money market, and resulted in funding ture has discouraged the discount houses have had no problem in finding lenders of overcount houses from holding more eligible bills than are required under Bank of England rules.

another result of the uncertainty lent to the discount houses. The relaxed attitude of the tions have kept money in the short end of the money market, driven down the price they are rether than look for longer term investments.

The relaxed attitude of the houses towards borrowing has short end of the money market, driven down the price they are rether than look for longer term investments.

The relaxed attitude of the money market, driven down the price they are prepared to pay for reserve money, and resulted in funding at below the prevailing interbank to the price they are prepared to pay for reserve money, and resulted in funding at below the prevailing interbank to the price they are prepared to pay for reserve money, and resulted in funding at below the prevailing interbank to the price they are prepared to pay for reserve money, and resulted in funding at below the prevailing interbank to the price they are prepared to pay for reserve money.

MONEY RATES

6 months US Dollars

NEW YORK (4pm) Prime rate Broker loan rate Fed. funds Fed. funds at Intervention	9.00 0 k - k	One month Two mouth Three mouth Six mouth One year Two year		6.33 Foat) 6.86 Fhey 7.33 Seven 7.76 10-ye		8.65 8.65 8.90
July B	Overnight.	One Month	Two Months	Torne Mortles	Six Months	Lombard Intervention
Frankfor	4.40-4.50 7.1-7.5 13-14 4-44 3.59375 93-104 6.75 62-64	425-440 7-6-7-6 34-34 41-44 3,96875 107-1114 64-64 64-74	435-450 74-74 73-75	4.45-4.50 71-772 31-34 41-42 4.09375 11-11-2 6.6-64 70-74	4.65-4.80 Ti ₂ -75 ₁ 84-85 ₂	4.50 7.00
LONDON MON	EY RA	TES				

WEEKLY CHANGE IN WORLD INTEREST RATES

BANK OF ENGLAND TREASURY BILL TENDER

ONDON	July 8	change	NEW YORK	July 8	change
Base rates	10 91 ₂	+12	Prime rates	9.00 73 6.85 7.30 7.875	Unchi d
day interbank	917	1 *3	Federal Funds	.73	(Joch'd
-month Interbank	101	+0.0764	3 Mgn /ressury Bills	9.85	10.07
reasury 8III Tender	9.7838	+0.0704	6 Mith. Treasury Bulls	7 60	+0.09 +0.26 +0.15
Band 2 Bills	92	1 :		1.012	٠
Band 3 Bills	9%	1 +4	FRANKFURT		
Rand & Bills	9%	+4	Compare	A 124	Unch'd +0.15
3 Mth. Treasury Bill	9€	(+ 4	Three annoth	4.50 4.325 4.525	401
1 Mtt. Bank Bills	974 974 994 994 994 994	***			
3 Mth. Bank Bills	AC.	+16	PARIS Stemestion Rate	7.00	Unch'd
OKYO			One metr. Intertack	7.00 7L	
One month Billis	3 %875 4.09375	Unch'd	Three month	7.00 74 74	1 11
Three worth BINS	4.013/3	76	MILAN	- 14	·•
RUSSELS			One prosess	114	+34
One mostch	613 613	1 * 2	Three mosts	üζ	+14
Terre (100th	0.5	734	DUOLIN	1	1
MISTERDAM		Unck'd	One records	7	-b
One month	46	-7-	Three morth	75.	1 1

Jaty O	Oversight	7 days notice	One Month	Torse Months	Skz Montles	Que Year				
Lerbank Offer Lerbank Offer Lerbank Bid Le	1012 012 	914 914 915 915 915	99999999999999999999999999999999999999	10 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	1954 1954 1954 1954 1954 1954 1954 1954	10 H 10 H 10 H 10 H 10 H 10 H 10 H 10 H				
U Linked Dep Bid			65	68	7%	72				
Treasury Bills Geli?; one-moets 9,5 per cent; three moets 95; ser cent; Bank Bills Geli!) one-moets 91; per cent; resumble 91; per cent; Treasury Bills, Average tender rate of decount 9,7638 pc a ECGD Flood Rate Sterling Expanse: Make no day June 30. 1988. Agreed rates for period June 1,1988 to June 30. 1988. Science 1,10 2 pc houses II & III: 10,12 pc. Reference rate for period June 1,1988 to June 30. 1989. Science 1,10 2 pc honors III & III: 10,12 pc. Reference rate for period June 1,1988 to June 30. 1989. Science IV & V. 8 999 pc. Li thority and Finance Houses Save Rate 85; from July 88 Bank Depots Rates Ive serns at seven days notice 3.0 per cent, Certificates of Tax Depots (Section 5). Depots 6000 and over held under one month 71; per cent; one-three months 01; per cent, three-six months 03; per cent, mine sucche months 83; per cent, three-six months 03; per cent, mine sucche months 83; per cent, three-six months 03; per cent, mine sucche months 83; per cent, three-six months 03; per cent, mine sucche months 84; per cent, under £100,000 6 per cent, three-six months 04; per cent, mine sucche months 84; per cent, mine sucche months 64; per cent, mine sucche months 84; per cent, mine sucche months 64; per cent, mine sucche sucche sucche sucche sucche succession suc										

The increase in average carrings will be unchanged at 8% Institute, but rise to 9 p.c., on the

ing cost of commodities will combine with a strong rise in average earnings to put upward pressure

County NatWest expects a rise of 2.2 p.c. in seasonally adjusted input producer prices, compared with 2 p.c. in May, with Warburg Securities looking for 2.1 p.c., but Phillips and Drew believes the rise could be as low as 0.6 p.c. With the markets already worried about the implications of high bank lending on inflation, any bad news about commodity prices and the level of earnings, could be seen as the herald of yet another rise in UK bank base rates.

p.c., in May according to War-burg Securities; Phillips and Drew; and Nomura Research

JAPANESE YER COM Y12.5m S per Y100

CHICAGO

LONDON (LIFFE)

Estimated Volume 13879(12375) Previous day's open let. 7912(8181) CURRENCY FUTURES LIFFE-STERLING \$25,000 S per & 1,7053 1,7004

1-mth 3-mth 6-mth 16989 16927 16840

Nat.Bk. of Kuwait Nat.Westminster Northern Bank Ltd Norwich Gen. Trust PRIVAThanken Limited Provincial Bank PLC Productal Bank PLC

R. Raphael & Soots

Routhrighe & Frances

Royal Bik of Scotland

Royal Trust Bank

Smith & William Sess

Standard Chartered Cyprus Popular Bit Deuter Bank PLC Duates Lawrie Equatorial Bank plt ... Exeter Trust & Ges. Sec. Financial & Ges. Sec. First National Bank Pic... Robert Fleming & Co...... Robert Fraser & Pturs..... 107 Mertgage Exp Hohed Bk of Ahmah United Milzahi Bank Hoity Trust Bank Pic Bank of India Bank of Scotland Barrier Stotens
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Bertiner Bank AG
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Members of British Interchant Banking & Securities Hooses Association. 7 day deposits 4.38% Sarenie 7.16%. Top Ter-410,000 + instant access 9.0% 4 Mortgage baserate. 9 Demand deposit 5.0%. Mortgage 9.125% - 9.5%

FIXED INTEREST STOCKS Price E

"RIGHTS" OFFERS Closing Paid vo Resour Date High Law

71 61 165 22 82 266 40 16 635 66537126392955 MATTHE 0.26 0.40 1 1.15 17 409 15 21 229 190 47

570 40 50000 III 10.50 1.60 4.50 1.20 0.60 1 2.50 2.50

200 L.S.

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AS DOOL

FT - ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co.

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of stocks per grouping	FRIDAY JULY 8 1988				THURSDAY JULY 7 1988			COLLAR INDEX			
	US Dollar Index	Day's Change %	Pound Sterling (ndex	Local Currency Index	Gross Olv. Yleid	US Dollar Index	Pound Sterling Index	Local Currency Index	1988 High	1988 Low	Year- age (approx
Australia (89)	145.90	+0.4	127.09	121.47	3.67	145,31	125.43	120.23	150.35	91.16	143.53
ustria (16)	86.16	-0.a	75.06	81.92	2.54	86.83	74.95	81,93	98.18	83.72	86.40
eig ium (63) anada (129) esmark (39)	117.76	0.8	102.58	112.24 112.10	4.50	118.72	102.48	111.99	139.89	99.14	125.30
30303 (127)	128.00	-0.3	111.49	122.68	3.00	128.38	110,82	112.02	128.91	107.06	136.0
esmarx (34)	129.46	-1.2	112.25		2.37	131.02	113.10	122.87	132.72	111.42	114.7
Inland (26)	128.87	-0.1	85.26	117.67	1.46	128.98	111.34	117.18	139.53	106.78	
rance (130) est Germany (100)	97.88	-1.3		94.93	3.41	99.18	85.62	95.10	99.62	72.77	109.6
est Germany (100)	77.83 110.99	-0.3 +0.1	67.80 96.68	74,35 111,36	2.50	78.07	67.39	73.73	80.79	67.78	96.1
ong Kong (46)	136.53	+0.1 -0.7	118.93	131.36	: 4.11	110.86	95.70	111.20	110.99	84.90	127.9
aly (102)	120.23	-0.7 -1.5	61.54	71.81	3.61	137.56	118.74	130.96	141.54	104.60	140.9
pan (456)	163.73	-0.4	142.62	137.85	2.80	71,76	61.94	72.13	81.74	62,99	94.7
alaysia (36)	105.73	+0.4	126.89	146.85	0.52	164.43	141.93	. 136.88	177.27	133.61	134.6
#167316 1.701	.T.2.07				. 2.50	145.03	125.20	146.18	153,14	107.83	182.5
exico (13)	167.87	+0.4	146.22	419.38	1.30	167.18	144.31	417.66	180.07	90.07	274.4
etherland (38)	105.27	-0.7		99.43	4.65	105.96	91.47	98.87	110.66	95.23	125.6
w Zealand (21)	79.82 120.45	+1.2	69.53	61.92	5.77	78.87	-68.09	60.65	84.05	64.42	104.1
mway (23)	120.45	-1.2	104.92	108.76	2.77	121.90	105.23	109.12	132.23	98.55	147.0
Ngapurt (20/	122.91	-0.2	107.06	115.83	2.23	123.20	106,35	115.88	125.56	97.99	
orway (25) Ingapore (26) outh Africa (60)	127.06	+0:8	110.68	96.93	4.53	126.09	108.85	96.31	139.07		156.5
vain (43)	150.46	-0.9	131.06	138.26	3.19	151,78	131.02	138.32	164.47	118.10	170.8
reden (35)	118.95	-0.6	103.61	110.98	2.57	119.63	103.27	110.86	125.50	130.73	125.3
witzerland (55)nited Kingdom (325)	80.66	-0.6	70.26	76.48	2.24	81.16	70.06	75.98	15.50	96,92	117.7
nited Kingdom (325)	132.93	+0.2	115.80	115.80	4.31_	132.72	114.57	114.57	86.75	75.60	98,0
SA (583)	110.28	-0.6	96.06	110.28	3.55	110.94	95.77	110,94	141.18	123.09	154.9
trope (1015)	107.01	-0.4.	.93.22	98.23			1	210,74	112.47	99.19	125.8
ecific Basin (674)	107.01				3.66	107.42	92.73	97.61	110.82	.97.01	1010
ECITIC DESII (0/4/	160.85	-0.4	140.11	135.94	0.72	161.46	139.38	134.98	172.26		125.0
uro-Pacific (1689)	139.34	-0.4	121.37	120.88	1.63	139.87	120,74	120.06	147.53	130.81	134.7
orth America (712)	111.23	-0.6	96.89	110.41	3.51	111.87	96.57	111.03		120.36	130.9
rope Ex. UK (690)	90.88	-0.8	79.17	87.31	3.10	91.65	79.11	87.08	113.29	.99.78	126.4
cific Ex. Japan (218)	126.21	+0.5	109.94	112.01	3.82	125.79	108.59	111.17	92.99	80.27	.105.1
orld Ex. US (1891)	138.85	-0.4	120.95	120.49	1.70	139.36	128.30	119.69	128.15	87.51	135.7
orld Ex. UK (2149)	127.28	-0.5	110.87	117.04	2.10	127.92	110.42	116,84	146.49	120.26	131.6
orld Ex. So. Af. (2414)		-0.4	111,30	117.05	2.29	128.34	110.79	770'04	131.77	111,77	126.6
orld Ex. Japan (2018)	110.54	-0.4	96.29	106.33	3.59	111.04	95.85	116.76	132.39	113.26	129.D
- 101 - 11 I - 1 - 20 4 To 25							73.85	106.40	112.43	100.00	126.8
he World Index (2474)	127.77	-0.4	111.30	116.92	2.31	128.33	110.78	116.62	132 38		120.2

es: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115,037 (US \$ Index), 90.791 (Pound Sterling) and 94,94 (Local) . The Financial Times, Coldman, Sachs & Co., Wood Mackesule & Co. Ltd.1987

